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TOKYO MARKET

Cheap money that fuelled a crash

Page 18

World News

King gives up throne for a day over law on abortion

King Baudouin of the Belgians gave up his throne for a day because he said his conscience would not allow him to sign a controversial law legalising abortion. The Cabinet assumed his powers. Page 18

Israeli Labour claim

Israel's Labour party said it had enough votes to form a government and called for a special session of parliament to present its Cabinet.

Lithuanian offer

A senior Lithuanian official outlined in London concessions the republic is prepared to make in the hope of starting formal negotiations with Moscow on its independent status. Page 18

Nato secrets charge

An examining magistrate in West Germany ordered a 45-year-old cypher officer held in custody on suspicion of revealing Nato secrets to East Germany. He worked at Bonn's Nato mission in Brussels.

Soviet graves inquiry

The Soviet Union said it had begun its own investigation into mass graves where thousands were buried after the Second World War in Soviet-occupied East Germany. The graves were near camps run by Stalin's secret police.

Ceausescu accused

The younger brother of former Romanian dicator Nicolae Ceausescu repeatedly ordered Securitate cadets to fire into a crowd of demonstrators last December, a witness told his trial in Bucharest. Page 2

Castro full of fight

President Fidel Castro, comparing Cuba to the biblical David fighting Goliath, said his country would return blow for blow if a dispute with the US over a new radio station escalated into armed conflict.

Bush may testify

Imelda Marcos, widow of the deposed Philippines president, who is charged in New York with plundering her country's Treasury, will try to call President George Bush to testify in her defence.

Protest over Arafat

Israel has protested to Italy over a visit today by Palestine Liberation Organisation leader Yassir Arafat, who is to meet the Pope as well as political leaders.

Bhutto remembered

Pakistani Prime Minister Benazir Bhutto led huge crowds to pray at the grave of her executed father, Zulfikar Ali Bhutto, in the southern province of Sind.

Libya backs Iraq

Libya backed Iraq in its war of words with the west and urged Arab states to resist attempts to subjugate them.

Menem halts dam

President Carlos Menem of Argentina suspended work on a $6bn dam, just hours after a loan agreement to provide $250m to help finance the project was signed in Montreal. Page 4

Sale of Picassos

The London sale of four Picasso drawings donated by US photographer Douglas Duncan raised $127,100 for Romanian children suffering from AIDS, auctioneers Christie's said.

Flood of oil

Up to 7,000 tonnes of oil leaked from a Soviet pipeline near the Volga River and flooded the village of Cormovo, in the Volga-Urals region. No one was hurt.

Sarah Vaughan dies

Jazz singer Sarah Vaughan died aged 66 at her home near Los Angeles. She had recently undergone surgery for cancer.

Business Summary

ADT to issue preference stock for BAA shares

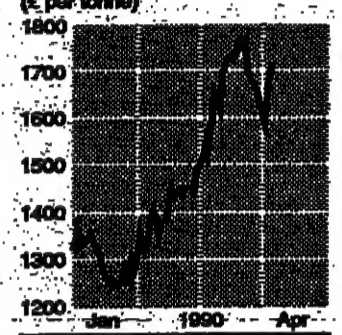
ADT, the security and vehicle auction group headed by Michael Ashcroft, is to refinance its stake in BAA, the former British Airports Authority, with a £100m ($164m) issue of preference stock which can be exchanged for its BAA shares.

The announcement wiped almost £9m off the value of ADT's holding, which has been increased to 9 per cent, as BAA's shares slipped 19p to 388p, and dealers speculated that the chance of a bid from ADT was now more remote. Page 19, Lex, page 18

MARKETS: Zinc prices on the LME continued Tuesday's sharp rise. The premium for cash metal over three-month widened to $96.50 a tonne, compared with $52.50 on Monday. Commodities, page 30. Japan's Nikkei average of 225 leading shares ended 316.78 lower at 28,442.94. In Paris, the CAC 40 index rose to an all-time high of 2,014.01, before dipping to close at 2,001.49, up 15.94. In Frankfurt, the DAX closed 5.08 lower at 1,963.25. Markets, back page, section II

Zinc

Special high grade – cash metal (£ per tonne)



TOYOTA, leading Japanese car producer, is planning to establish a joint venture car assembly plant in Turkey as part of moves by leading car makers to manufacture there. Page 4

AUSTRALIA'S Labour government honoured its election promise with a reduction in interest rates. Page 6

POLAND: Legislation to promote widescale privatisation of the economy will go before parliament as political pressure increases over the Government's austerity measures and the selling-off of state enterprises. Page 3

BULGARIA: A lack of co-operation by international banks over the country's foreign debt exacerbated a shortage of foreign currency and was in part behind a decision to freeze repayments on its international debt. Page 18

SOUTH Korea announced a package of economic measures, postponing indefinitely a controversial financial reform and providing support for the the country's flagging exports and investment. Page 6

CZECHOSLOVAKIA officially notified Comecon, Soviet-led state trading bloc, of its withdrawal from three multilateral agreements designed to regulate currency rates in trade relations. Page 4

WEST Germany: Nearly 1m workers in the country's booming construction industry won a 6.3 per cent pay rise, well above the inflation rate of just under 3 per cent. Page 2

INDIA'S efforts to develop its own digital switching system for urban telephone exchanges have been thrown into disarray by damning criticism of the C-Dot programme by the new minister in charge of telecommunications. Page 6

DAF, Dutch commercial vehicles maker, has begun exploratory talks with Navistar, US truck and diesel engine maker, about collaborative ventures in truck components including engines. Page 21

Ailing engineering and consumer goods industries to be sold

Moscow opens up economy to direct foreign investment

By **Quentin Peel** in Moscow

THE SOVIET UNION is to open its economy to direct foreign investment by selling enterprises needing major overhaul, especially in engineering and the consumer goods industries, Mr Valentin Pavlov, Minister of Finance, said yesterday.

The move represents another sweeping ideological concession by the Soviet authorities.

At the same time, Mr Pavlov suggested that foreign investors might be given access to foreign currency auctions to repatriate their profits, and be allowed to take equity stakes in Soviet enterprises.

He added his voice to calls for immediate action on price reform – switching to "supply-and-demand price regulation" – in an interview published by the Radio Moscow news service, Interfax.

Mr Pavlov gave details on the range of economic reform laws promised in coming weeks, including foreign investment, tax reform, pricing, wage indexation, customs tariffs and employment legislation.

Government economists are under instructions to finalise the package of about 30 laws and decrees by April 10, with a deadline for presentation to the Supreme Soviet by May 1.

There is still some doubt, however, about quite how radical the package will be, in spite of promises by Mr Mikhail Gorbachev, the Soviet leader, and his closest economic advisers that swift moves towards a market economy are intended.

Key officials such as Dr Leonid Abalkin, the deputy premier responsible for economic reform, and Professor Nikolai Petrakov, Mr Gorbachev's personal economic adviser, have stressed in recent days that they are not planning to ape the Polish model of a crash austerity programme, not least because the Soviet Government lacks the genuine popular support to do so.

However, they insist on a drastic acceleration in the pace of reform towards a market economy, including urgent measures to control state monopolies, either breaking them up, selling equity stakes, or enforcing competition through an anti-monopoly committee.

Opening the doors to direct foreign investment fits into that pattern of promoting competition, while it is also intended to answer the urgent need for more modern investment and a rapid increase in consumer goods production.

"We are interested in inviting foreign capital, because structural change calls above all for reorganising the engineering sector," Mr Pavlov said.

"By inviting foreign capital we should [also] be able to open up the production of consumer goods this year and next, because our potential foreign partners have the production capacity, manpower and material resources to enable us to increase production at home.

"We are prepared to give them an opportunity to build production capacity on our territory and use our raw materials and workforce. We are prepared to sell them some of our enterprises which must be rebuilt or upgraded. We are also prepared to set up joint ventures and joint stock societies.

"We are prepared to introduce an open economy to enable our partners to do their own business while promoting perestroika at the same time."

The Soviet authorities have previously promoted joint ventures only as the model for foreign investors but they have been disappointed at the failure of Western business to rush into such restrictive ventures.

Mr Pavlov's proposal that foreign investors have access to currency auctions provides an additional way for repatriation or profits while the rouble remains unconvertible.

However, he gave no hint of how they should deal with the other major problem: highly erratic supplies of raw materials from inefficient state enterprises. For foreign investment to become a reality, the whole state supply system would have to be overhauled, if not dismantled.

Hurd urges West not to complicate arms talks, Page 2

A spokesman for Mr Vytautas Landsbergis, the Lithuanian president, outlined the concessions – including a continued Soviet military presence – which the republic's government is prepared to make in the hope of starting formal negotiations on independence.

Meanwhile, Soviet and Lithuanian officials described as encouraging the progress of talks begun on Tuesday between a Lithuanian delegation headed by Mr Romualdas Ozolas, the deputy Prime Minister, and Mr Alexander Yakovlev, a senior member of the Soviet Politburo. Page 18

Pavlov: action on prices

Hungarian group plans share offer

By **David Waller**, recently in Budapest

IBUSZ, the Hungarian state-owned travel agency and tour operator, plans to become the first east bloc company to have a full listing on a western stock market by offering shares on the Vienna stock exchange.

The issue, targeted for June this year, will be underwritten by Girozentrale Wien, and the reporting accountants will be Price Waterhouse.

The aim is to issue some 400m new shares to raise between 800m and 1bn forints ($13m-$16.4m) in hard currency, giving the company a total market value of ($79m-$82m).

Mr Andra Akros, Ibusz's finance director, said in Budapest that the flotation was in part designed to raise hard currency to help the company expand its operations, which range from property development and hotels to financial services and car rental.

The company is confident of overcoming hurdles which include a law which demands that companies seeking a foreign market listing should first list on the fledgling Budapest stock market.

This could be a very complicated exercise and makes the company's timing plans look ambitious.

However, Mr Akros is adamant that the Hungarian state is enthusiastic about the listing. The Government recently stood in the way of the sale of Hungar Hotels to a Scandinavian investor because of a dispute over the valuation of the company.

One reason for the planned flotation is promotional: to prove to the business world that Ibusz is "one of best companies in Hungary" and one of the best travel companies in Europe, Mr Akros said.

The company plans to stimulate interest in the issue by going on a roadshow to talk to investors in six European cities, including London, Paris, Milan and Frankfurt.

The ambitious move may be the most public manifestation yet of the "westernisation" of Hungarian companies.

A handful have shares traded on the Viennese over-the-counter market, and there have been joint ventures with western companies. But Ibusz will be the first to attempt to meet western-style financial reporting standards.

The company was established in 1902 and nationalised in 1950. It has 3,000 full-time employees and about 3,500 part-time workers, mainly travel guides. After adjustments to western-style accounting, turnover in its last financial year was 54bn forints; pre-tax profits were 1.1bn Forints, and after tax profits amounted to 532m forints.

Turnover was as follows: 44bn forints from banking operations; 7-8bn forints of hard currency income from incoming tourism (the company handled just less than 700,000 incoming tourists in 1989) and 1.2bn forints from arranging holidays for 250,000 Hungarian tourists overseas.

G7 finance ministers to focus on market upheavals in Japan

By **Peter Riddell** in Washington and **Peter Norman** in London

THE GROUP of Seven finance ministers will focus their discussions on the market upheavals in Japan and the latest political changes in Europe when they meet in Paris on Saturday.

However, they are not planning to launch any big change in their co-ordination of economic and financial policies.

Before leaving for Paris, a US Treasury official warned against raising expectations. The meeting, he said, was primarily to "take stock, for assessment and surveillance" and the ministers did not plan to issue a communiqué.

The US believes the co-ordination process between the G7 countries (the US, Japan, West Germany, Britain, France, Italy and Canada) is working well. Officials point to the steady adjustment of external imbalances, with more compatible policies, patterns of growth and "reasonably well-contained" inflation problems.

However, the European countries and Canada are far less sanguine about inflation. This concern is likely to surface early in the discussions when the ministers compare the performance of each others' economies with the aid of economic data provided by the International Monetary Fund.

European officials also expect that the recent slide in the yen and Japanese share prices will be discussed, although Japanese officials have been anxious to play down suggestions that the Paris meeting could tackle these problems.

Washington has so far been resisting calls from Tokyo for US action to help check the rise in the dollar against the yen either by larger-scale intervention or by cutting interest rates, both of which are resisted by several Federal Reserve governors.

US officials refuse to comment on suggestions that Washington is holding back pending a successful outcome to the current series of bilateral trade talks.

The Europeans have argued that it is mainly up to the Japanese authorities to restore confidence by raising interest rates and ending public differences between the Bank of Japan and the Ministry of Finance.

However, last night some European officials suggested that the US might be more willing to help the Japanese if, as seemed likely, this week's session of the so-called Structural Impediments Initiative talks in Washington reaches a successful conclusion.

The Paris meeting, the first collective discussion by G7 finance ministers and central bank governors since last September, will mark the first appearance of Mr John Major, the Chancellor, at a G7 gathering. Mr Theo Waigel, the West German Finance Minister, is expected to outline the latest developments concerning German monetary union over lunch.

The meeting, similar to one held in Washington in early February last year, is intended to give the ministers a chance to review the global economic situation. The US believes that

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Bonn defers decision on rate for Mark, Page 2; Economic Viewpoint, Page 17

Thatcher faces party rebellion over Hong Kong

By **Michael Cassell**, Political Correspondent, in London

BRITAIN'S Conservative Government yesterday prepared to face one of the biggest rebellions yet staged by its own backbench Parliamentary members following the publication of proposals to grant British citizenship to up to 50,000 Hong Kong citizens and their dependents.

Hours before publication of the British Nationality (Hong Kong) Bill, designed to dissuade essential personnel from leaving the colony before it reverts to Chinese rule in 1997, Mrs Margaret Thatcher said it was a matter of "solemn duty" to maintain Hong Kong's prosperity.

With up to 80 Conservative Members of Parliament said to be ready not to support the Bill, Mrs Thatcher acknowledged that the Government faced an uphill struggle to get it through the Commons – the lower house of Parliament.

The opposition Labour Party's shadow cabinet last night decided unanimously to vote against the Bill, although some Opposition MPs continue to say they will not vote alongside Conservative opponents of the measure.

The Prime Minister said she hoped that "with a good deal of argument" the Bill would be approved but government officials were emphasising that failure would not be regarded as a justification for resignation.

The five-clause Bill represents enabling legislation to implement a selection scheme which could allow up to 225,000 Hong Kong residents to resettle permanently in Britain. The passports will be granted in two tranches and, depending on the progress of the legislation, the first could be issued by early next year.

Under the proposals, 43,200 of the 50,000 qualifying citizens – embracing people from the business, legal and education communities as well as the Hong Kong public services – will be subject to a points system and the final recommendation of the Governor of the colony. It will take into account factors such as age, experience, proficiency in English and links with Britain.

The remaining passports, to be issued to 500 "key personnel" and to 6,300 senior civilian and military workers will be issued following an invitation to apply from the Governor, who will have wide powers to deny or recommend applications.

Although Mr Norman Tebbit, the former Conservative party chairman and the leader of the rebels in Parliament , remained silent last night, several of his supporters provided a measure of the battle ahead for the Government.

Mr Robert Adley, MP for Christchurch and chairman of the British-Chinese Parliamen-

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THE FUTURE

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- **Britain bottom of the list of emigration destinations**
- **China digs in its heels over Basic Law**
- **Points system for allocation passports**

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Chinese parliament approves Basic Law

By **Peter Ellingsen** in Peking and **John Elliott** in Hong Kong

THE National People's Congress, China's rubber-stamp parliament, yesterday passed the Basic Law for Hong Kong, the constitution which will come into force in the territory when it reverts to China in July 1997.

In Hong Kong, the Legislative Council immediately called on the NPC to introduce radical amendments to the Law before 1997.

Mr Martin Lee, Hong Kong's leading liberal, who proposed the resolution, claimed that the law was not in accord with the 1984 Sino-British Joint Declaration, which promised the territory a "high degree of autonomy", and rejected the British Government's view that it already conformed to the 1984 declaration.

The Basic Law, which was drawn up by a Peking-appointed drafting committee,

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The holiday is ending for Spain's reluctant taxpayers

Jose Borrell, Spain's Treasury Secretary, has told his countrymen they are 'up to their ears in tax fraud.' First stage in the Government's plans to close the tax net is a revaluation of every square inch of land **Page 3**

MARKETS

STERLING
New York close
$1.64
London:
$1.6420 (1.6355)
DM2.7925 (2.780)
FFr9.3800 (9.3425)
SFr2.4725 (2.4575)
Y260.25 (260.00)
£ index 87.8 (87.4)

GOLD
New York: Comex Jun
$381.8
London:
$374.5 (375.25)

N SEA OIL (Argus)
Brent 15-day May
$18.275 (18.60)

Chief price changes yesterday: Page 19

DOLLAR
New York close
DM1.6997 (1.6985)
FFr5.7105 (5.7070)
SFr1.50475 (1.5035)
Y159.0
London:
DM1.7005 (same)
FFr5.7125 (same)
SFr1.5060 (1.5020)
Y158.55 (159.00)
$ index 68.8 (same)
Tokyo close: Y158.90

US Lunchtime Rates
Fed Funds $8\frac{3}{8}$%
3-mo Treasury Bills:
yield: 8.057%
Long Bond:
$99\frac{1}{32}$
yield: 8.583%

STOCK INDICES
FT-SE 100:
2,231.6 (-9.1)
FT Ordinary:
1,749.7 (-11.6)
FT-A All-Share:
1,107.60 (-0.3%)
New York close
DJ Ind. Av.
2,719.37 (-17.34)
S&P Comp
343.76 (+0.12)
Tokyo: Nikkei
28,971.77 (+212.05)

LONDON MONEY
3-month interbank:
closing $15\frac{5}{32}$ ($15\frac{7}{32}$)
Liffe long gilt future:
June $81\frac{31}{32}$ ($81\frac{17}{32}$)

EMS risks becoming a victim of its own success

By Peter Norman, Economics Correspondent

The European Monetary System is currently subject to a process of erosion and risks being a victim of its own success, according to Mr Tommaso Padoa-Schioppa, deputy director of the Bank of Italy and formerly a senior official in the European Commission in Brussels.

In a pamphlet published by the Group of Thirty, an influential think tank on international monetary affairs, Mr Padoa-Schioppa said that the calm surrounding the EMS since its last major realignment in January 1987 should not be construed as a sign of long lasting stability.

"The system is stalled, with participating economies paying the price of convergence towards monetary union, while receiving few of the benefits."

He warned that while inflation differentials among EMS members had narrowed and their growth performance had improved, payments imbalances in the EMS had widened. Despite three years of unprecedented exchange rate stability, there had been little reduction in nominal interest rate differentials.

He said managing the EMS would become more difficult with free trade and full capital mobility in the Community. Then "it will be virtually impossible for monetary policy to be conducted independently by any member country, including Germany."

Mr Padoa-Schioppa said current developments could have three outcomes:

- The divergences and imbalances could build up, eventually losing credibility for the system.
- The EMS members could realign their currencies more frequently, although this would probably have only an insignificant impact on trade imbalances while widening inflation differentials.
- The third option would be to move in the direction of monetary union (EMU).

That the last is Mr Padoa-Schioppa's preferred option, should come as no surprise. What the G-30 paper does not highlight is that he was one of the secretaries of the Delors Committee that last year put forward a three stage programme for achieving EMU.

Financial & Monetary Integration in Europe: 1990, 1992 & Beyond. Tommaso Padoa-Schioppa, £7 or $10 from Group of Thirty, 32 St Mary at Hill, London EC3P 3AJ, or 277 Park Avenue, New York, NY 10172.

Bonn defers decision on rate for East Mark

By David Marsh in Bonn

THE West German Government yesterday admitted that some slippage was likely in the end-April target for deciding details of economic and monetary union with East Germany.

The Bonn cabinet also declined to endorse immediately suggestions from the Bundesbank that the bulk of East Mark assets and liabilities should be exchanged into D-Marks at 2-to-1 rather than the more generous 1-to-1 requested by East Berlin.

Mr Hans Klein and Mr Dieter Vogel, the two Bonn government spokesman, yesterday stuck resolutely to the line of Mr Helmut Kohl, the Chancellor, that the exchange rate details had not yet been agreed. However, they left little doubt that the Government's position would not depart significantly from the Bundesbank's proposals outlined last Thursday.

Mr Vogel said the Government wanted to stick to the end-April decision date — which would allow monetary union from July 1. "Every day would be more expensive" unless agreement was reached.

Mr Klein however admitted that a decision might not be made until eight or 10 days into May if negotiating problems cropped up with the new East German government.

Difficulties in forming the likely Grand Coalition among East Berlin's inexperienced reformist politicians have been compounded by bickering over the currency plan. Even if the government is formed by Easter, Bonn and East Berlin will have only two weeks to decide details to meet the end-April target

Hurd urges West not to complicate arms talks with new proposals

By Robert Mauthner, Diplomatic Correspondent

THE Soviet Union has stiffened its attitude in arms negotiations in recent weeks and it is therefore important that these talks should not be further delayed by new proposals, Mr Douglas Hurd, Britain's Foreign Secretary, said yesterday.

He told the Foreign Affairs Committee of the House of Commons that "instead of constantly rejigging the figures on the table, we should get in and harvest the available crop."

Mr Hurd was referring to western proposals to reduce further the equal US and Soviet troop levels of 195,000 in Europe already agreed in principle, before a conventional forces agreement had been concluded in Vienna.

He also said that German unification was unlikely before the second half of next year at the earliest. The aim was for the so-called "two plus four" talks between the Germanys and the Second World War allies (the US, Britain, the Soviet Union and France) to be concluded before the end of this year. The results of their deliberations on the external aspects of unification would then be submitted to a summit of the 35-nation Conference on Security and Co-operation in Europe (CSCE) in December.

Referring to the fact that no peace settlement with Germany had ever been signed after the war, Mr Hurd said he did not think it feasible for a conference to be held in which every belligerent in the war would participate.

A peace settlement would probably consist of a package of agreements, each of which would not necessarily involve all the belligerents. The problem of Poland's western border would thus probably be settled by a bilateral treaty between Poland and a united Germany.

Mr Hurd emphasised that any border settlements should be based on two important principles: the existence of national minorities in any country should not be used to change frontiers and such minorities should be guaranteed proper treatment.

Mr Hurd said the purported symmetry between the Warsaw Pact and Nato had always been bogus and had now been exposed as such. "We believe it is crucially important for our security that Nato should endure, whatever happens to the Warsaw Pact."

Nato required "a sensible mix" of nuclear and conventional forces for its defence, he said, but refused to be drawn on the subject of modernising short-range nuclear weapons stationed in West Germany. The components of such a mix of weapons was still a matter for negotiation, he said.

W German building workers win big rise

By David Goodhart in Bonn

NEARLY one million workers in the booming West German construction industry have won a hefty 6.3 per cent pay rise, well above the inflation rate of just under 3 per cent.

The increase could set a signal for the pay element in the engineering industry negotiations which are coming to a head at the end of this month.

Pressure from the engineering employers, and indirectly the Government and the Bundesbank, to keep pay rises under 6 per cent has resulted in an official pay increase for the construction industry of 5.8 per cent, but the majority of workers will get an additional special payment of 0.5 per cent.

There is no sign of a compromise yet in the stand-off between I G Metall, the 2.5m-strong engineering union, and employers, and warning strikes have been threatened for next month.

The pay rise suggests that the influx of East German workers has not had any downward pressure on wages. Moreover, despite high unemployment among the new East Germans immigrants and Germans from other east European states, overall unemployment fell sharply in March. According to figures released yesterday by the Federal Labour Office unemployment fell 139,500 to 2.013m, or 7.7 per cent of the workforce.

The expected fall in the West German trade and current account surplus — some analysts believe it could drop by over one-third thanks to higher domestic consumption — has begun to show up in the February trade figures. The trade surplus fell to DM10.6bn from DM11.4bn in 1989.

Commission path paved with pitfalls

By James Buxton, Scottish Correspondent

JOINING the staff of the European Commission has been described as more difficult than becoming a member of a secret society by a leading figure in the British graduate employment world.

Mr Jack Daniels, director of the careers advisory service at St Andrew's University, Fife, said in his annual report that the Commission "leaves a lot to be desired in its methods of attracting and selecting and recruiting good graduates."

Entry procedures were not suitable for British graduates since no one was allowed to apply until he had graduated. Most British students fixed up jobs in the year they graduated, but the Commission's procedures were aimed at continental universities where there was a high failure rate for students seeking degrees.

The selection procedure then lasted up to two years, compared with 4-5 months for the British civil service. "Most students are not prepared to hang around that long," said Mr Daniels. "The UK will suffer if more good British graduates are not attracted to join the increasingly influential Brussels institutions."

Cadets 'told to shoot by dictator's brother'

LT GEN Nicolae Ceausescu, younger brother of the former Romanian dicator, repeatedly ordered Securitate cadets to fire into a crowd of demonstrators during the December revolution, according to a prosecution witness on the third day of his trial, writes Owen Bennett-Jones in Bucharest.

Col Gheorghe Rabacel, Gen Ceausescu's deputy at the Securitate training school, said that he was with the General on the night of December 21. He alleged that the General had given orders to some Securitate cadets to form into line and fire into at the crowd of demonstrators.

The cadets did not have any ammunition, but when the Colonel told Gen Ceausescu that they were unable to obey the command he called the Colonel a traitor.

Throughout this period, Gen Ceausescu had a pistol in his hand and fired from time to time at random into the crowd.

The trial of Gen Ceausescu, who shared his brother's first name because of an administrative error, is being seen as an attempt by the ruling National Salvation Front to convince the electorate it is serious about prosecuting former Communist leaders.

Ceausescu in the dock at his military trial

Fiat plans to set up network of dealers in East Germany

THE West German operating subsidiary of Italy's Fiat Spa said on Tuesday it planned to build up a dealer network in East Germany, AP reports.

Fiat Automobil AG said that as a "first phase" of its expansion into East Germany, it hoped to open up to 100 independent dealerships to sell cars and transporter vans. The company also plans to set up a technical training program in East Germany as well as to invest in technical support for its emerging operations there. The company wasn't more specific, however.

At present, Fiat does not sell cars in East Germany. The sales network being planned for that country would be co-ordinated from West Germany, a Fiat spokesman said. But he could not say when the first dealerships would start business.

Fiat is vying with Volkswagen AG to be Europe's biggest automaker. The company sold 140,000 cars and transporter vans in West Germany last year, with sales of 2.2 billion Deutsche marks. Fiat is West Germany's largest importer of foreign cars.

Fiat Automobil is following other West German car companies into the East German market. Already, Volkswagen and the Adam Opel AG unit of General Motors Corporation have established manufacturing joint ventures with East German carmakers and Daimler Benz AG plans a broad business link-up with the truck manufacturing monopoly as well as a car dealer network there.

The only two automobile models available for mass consumption in East Germany to date have been the Wartburg and the Trabant, two obsolete models based on 1950s and 1960s technology.

A German Fiat spokesman said there aren't any plans at present to engage in the manufacture of cars in East Germany by his company.

EC 'must join in talks between Germanys'

By Lucy Kellaway in Strasbourg

THE European Commission must be represented in all negotiations between the two Germanys, Mr Frans Andriessen, External Affairs Commissioner, said yesterday.

In his first statement on how East Germany is to become integrated into the Community, Mr Andriessen described a two-stage process, with the first starting well before its formal unity with West Germany.

As soon as German currency union has taken place, an interim stage would begin, when new channels for co-operation and sharing of information between Germany and Brussels would be put in place. The Commission would also play an active role in decision-taking between the two countries, wanting in particular to ensure that subsidies were not distorting competition in the European market.

Mr Andriessen's speech, given to the European Parliament, forms the basis of a Commission paper to be presented to heads of state at the Dublin summit at the end of the month.

A second transitional period would start once the two Germanys had been formally united. From then East Germany would be part of the Community and subject to Community law, although Mr Andriessen said special provisions to the law could be inserted by the Council of Ministers. However, he made clear that all such arrangements should be made on a sector-by-sector basis. They should be limited to cases in which they were strictly necessary for integration and should last for as short a time as possible.

Row erupts over sites for EC buildings

THE FRENCH Government has threatened to block all decisions on the location of new European Community institutions, until Strasbourg is finally confirmed as the permanent seat of the European Parliament, Ian Davidson reports from Paris.

The threat issued yesterday evening, is manifestly intended to influence today's vote in the European Parliament on a new compromise plan, which would allow the sharing of parliamentary sessions between Strasbourg and Brussels.

Line that links Nato's future and France's racial problems

IAN DAVIDSON
ON EUROPE

WHEN Gordon Newton, the then editor of the Financial Times, was publicly honoured in 1966 with a knighthood, his colleagues on the paper were delighted. Anthony Harris, who now writes from Washington, was one of the first to congratulate him. "I've never quite known", he said, "whether to call you Sir or Gordon; now I can do both."

Something of the same dilemma hangs over this column, and with a similar resolution. Two quite different issues vie for attention, which seem to be mutually exclusive. Yet in reality they are different ends of the same string.

On the one hand, the French political arena is currently the scene of heated controversy between the parties of left and right over racism and immigration; and this French debate (which essentially concerns Moslem immigrants from the Maghreb) is echoed by a larger argument in the European Community over the travel restrictions which affect visitors from eastern Europe.

On the other hand, the issue of the reform of Nato, which must be the inevitable consequence of detente and disarmament, has suddenly started to acquire a tantalisingly Franco-British flavour.

President François Mitterrand has started to mix somewhat slighting references to the Franco-German axis, with intriguing references to the necessary transformation of Nato strategy; and Mr Douglas Hurd, the British Foreign Secretary, has started to urge, with an unrestrained intensity, the importance of France becoming a full participant in whatever new structures and strategies emerge from the re-thinking of Nato.

Ostensibly, these issues are entirely distinct and unrelated. In reality, the string that binds them together is the common dialectic between the nation state and the larger EC, between national identity and common interest.

The details of the French debate over racism and immigration are specifically and narrowly French: the right says that the problem is that there are too many immigrants from the Maghreb, while the left says there is too much racism and discrimination in France. But quite quickly it becomes clear, first, that this debate is partly driven by the stresses generated by the process of European integration, and second, that it cannot be concluded except with reference to the larger European context.

No-one really knows whether the immigrant situation is significantly worse than five years ago, because the figures are inadequate. Primary immigration into France stopped more than 15 years ago, but around 120,000 may still be entering the country legitimately each year, for family re-union or other reasons. Another 30,000 may be coming in clandestinely. And last year 60,000 arrived with an application for asylum (twice as many as the year before), most of whom will have disappeared into the undergrowth long before the laborious bureaucracy has had time to reject their applications.

This is not an argument for or against a given level of immigration; the problem is political. According to the figures we have, the immigrants from the Maghreb are outnumbered by immigrants from Portugal, Italy and Spain; but it is the Maghrebins who are perceived to pose the political problem.

The dilemma for respectable France is that these immigrant problems enable the extreme right-wing National Front to eat into the electorate of the traditional conservative parties, with an assertion of the virtues of national identity which is intended as an attack both on the claims of immigrants and on the dangers of the new Europe.

In principle, the conservative parties are pro-European; so to fight off the National Front attack, they propose limited recipes for curbing immigration, such as restricting the right of family re-union, and rights to certain social security payments. They also call for a tightening of asylum procedures (as the Government is already undertaking to do).

But it is clear that these changes will not remove the essential pressures, which are the perceived economic incentives to immigrate; and that the rising incentive for clandestine immigration can only be contained through co-ordinated immigration and frontier control policies throughout the EC. In any case, common immigration and frontier control policies will be necessary under the Single European Act.

Defence policy has this in common with immigration, that these are the two issues which press most insistently on the nerve of national identity; but the difference is that, on defence policy, France has for many years enjoyed the rare luxury of national consensus. However, that consensus will have to be reviewed in the new context of detente and disarmament.

The French defence doctrine of nuclear Gaullism and national independence made a lot of (domestic political) sense while the American commitment to the defence of Europe was as intense as the confrontation between east and west. France could claim to be wholly independent from the American ogre, while relying wholly on the ogre's nuclear arsenal. This geo-political theatre will make less sense as the threat subsides radically, and the US ceases to be the transatlantic ogre dominating Nato.

Under President Mitterrand, France has become much more friendly to America and to Nato than it was under General de Gaulle. But French officials in recent years have always rebuffed questions about a possible rapprochement with Nato: this could not occur unless Nato were in some unspecified way "reformed", and reform was not on the agenda.

Reform is now not merely on the agenda, it is inevitable. Nato will have to abandon the strategy of forward defence and revise the doctrine of flexible response, as Mr Mitterrand has publicly acknowledged. Mr Hurd thinks this is the long-awaited opportunity for the rapprochement between France and its Nato allies so devoutly to be wished. But Mr Hubert Vedrine, President Mitterrand's spokesman, has refused to say yes or no to an invitation which has not been formulated, and merely asserts that "No reform [of Nato] is under way or being studied".

Like Anthony Harris in 1966, Mr Vedrine is being disingenuous: if the French want a more European defence of Europe, as they say, this is their chance. But if President Mitterrand were to seize this European opportunity, how would he handle the danger of a domestic political backlash from those, on right and left, who would accuse him of throwing away France's national independence?

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EUROPEAN NEWS

Warsaw sends privatisation law to parliament

By John Lloyd, recently in Warsaw

LEGISLATION to promote the widescale privatisation of the Polish economy will go before parliament today as political pressure increases over the Government's austerity measures and the selling-off of state enterprises.

The economic package going before the Sejm will have two draft laws on privatisation, one setting out the procedure and the other the institutions to carry it through. Other laws will end the privileges given to the "socialised" over the "non-socialised" sector of the economy and end restrictions on the sale of land.

Mr Leszek Balcerowicz, the Finance Minister, has promised there will be no let-up in the fight against inflation.

"We are not going to relax our stance prematurely, ahead of time," he said. "We are looking more to micro-economic measures, as restructuring of the enterprises through privatisation."

He added, however, that "the most difficult months are ahead of us because pressures are growing from many quarters for us to relax." That pressure is particularly strong from company works councils, in which many workers now demand that their plant be turned over to them rather than sold off – a demand to which the Solidarity movement is likely to be responsive because of its presence in the councils.

The Government has already drawn up a list of about a dozen large enterprises – including the healthiest – which will be offered for sale to both Poles and foreigners as soon as the legislation is agreed, although that may be a controversial process.

The main institution to be created will be an agency for privatisation, which will act for the Government in the sale of assets. Mr Balcerowicz said he would ask the Sejm to set up a commission to speed the passing of the laws.

He wants parliament to agree to offer blocks of enterprises for sale and for the Council of Ministers to have specific control of each enterprise offered. While agreeing that there were growing political objections to privatisation, he pointed to opinion polls which also showed increased public support for the exercise, now standing, he said, at over 60 per cent.

He claimed two successes for his three-month-old economic programme – bringing inflation down from around 30 per cent a month to 4-5 per cent and stabilising the exchange rate of the zloty against the dollar at 9,500. "There is now no need to consider devaluation. We can go on at this rate for the period ahead," he said.

He said that "recession was to some extent unavoidable in our position". He was worried that managers had responded initially only by putting up prices.

POLAND'S coal mining industry is stepping up pressure on the Government to finance stockpiles as demand for coal plummets in the country's hard-pressed economy and some mines are forced to switch to a four-day week, writes Christopher Bobinski in Warsaw.

The industry, which last autumn was being urged by the Government to work six days a week, has found itself on the brink of laying men off for the first time since the war.

Management at the Jaworzno pit in southern Poland has given notice that it will be making half its 8,300-strong workforce redundant on June 1 unless conditions improve. This week the mine, together with three others, is working only four days and miners are taking a wage cut.

The Solidarity union has joined mining managements in calling on the Government to finance stockpiles.

The first three months of the year saw coal output reach 42.2m tonnes, 5.8m tonnes down on the same period last year. Sales abroad amounted to 7.7m in the first quarter, similar to last year's level.

Italy sets course for its EC presidency

By John Wyles

THE Italian Government promised yesterday that the European Community would be set to work "to mould the future shape of Europe" during its six months' presidency.

Introducing Italian priorities for its presidency, which begins on July 1, Mr Gianni De Michelis, the Foreign Minister, put most emphasis on launching the 12 towards economic and monetary union at an intergovernmental conference on December 14, alongside the need to project the Community's institutions "towards political union."

Rome continues to believe that the Dublin summit on April 28 will launch a working party to discuss political reform in preparation for a second intergovernmental conference. Likening the EC to an orchestra, Mr De Michelis acknowledged the existence of some discordant notes, but claimed that "never as in 1990 have we been more in tune."

Italy's guidelines for institutional reform seek to extend the powers of the European Parliament, broaden the application of majority voting in the Council of Ministers, make the European Commission more accountable to the parliament, and strengthen foreign policy co-operation.

Mr De Michelis' ambitions also include summoning a "Helsinki type" conference of countries around the Mediterranean to encourage economic development and protection of human rights in north Africa and the Middle East. He will also propose that EC countries devote 1 per cent of their GDP to economic aid after 1992, with half going to the Third World and the other half divided equally between eastern Europe and the Mediterranean.

On more domestic issues, Italy will encourage the Commission to table legislative proposals based on the Social Charter, adopted by all member states, except the UK.

Rome is also promising "a major effort" to have most of the outstanding internal market directives adopted by the Council of Ministers. Some 60 per cent of the measures envisaged have now been adopted.

The party ends for Spain's rural taxpayers

Peter Bruce reports on plans to bring 6m Spaniards into the Government's tax net

THE GOOD times may soon be over for millions of ordinary people and wealthy landlords who own Spain's 45m hectares of rural land if Mr Javier Russines gets his way.

Seven million people own rural Spain and because official property values for six million of them are so obsolete they fall below land tax thresholds.

It would cost more than $200bn to buy rural Spain but its taxable value is just 20 per cent of that. Land planted with olive trees is officially worth only 5 per cent of its market value and vineyards about 10 per cent. "We have to get rid of these fictions," said Mr Russines. "No-one in this country would sell land at the official value."

Chief of the Finance Ministry's delicately named Centre for Cadastral Management and Fiscal Co-operation, Mr Russines, is rapidly becoming a key player in Madrid's fevered efforts to modernise its tax base and stop fraud and avoidance. One common property wheeze alone – declaring absurdly low sale prices to escape capital gains taxes – costs the country billions of pesetas a year. Mr Jose Borrell, the Treasury Secretary, last month told Spaniards that they were "up to their ears in tax fraud."

But closing the net on tax-smart Spaniards is a slow process. The revenue service has had to more than double its staff since 1984 and for the last four years, Mr Russines' Centre has been engaged in a $1bn exercise to photograph from the air, map and assign new and realistic values to every square inch of the country. The cities are done and the countryside is next.

In Spain, this is the *Catastro*, a land register first codified by Napoleon in France in 1807. It fixes land values – by size and crop in the country and by building type and location in towns – in order to tax the owners. Spain passed a cadastral law in 1906 but a full survey of the country has never been completed.

Cadastres are usually obsolete if ever finished and land tax revenues have become less important to central governments in an industrialised Europe. Because they also threaten large landowners, Spain's cadastres were brought to a virtual halt in the twenties by the dictatorships of Generals Primo de Rivera and, later, Franco, with the work only half done.

Mr Russines and Mr Borrell now want to bring Spain's rural and urban cadastral values to within 70 per cent of market value before 1994. In part this is to put an end to property fraud by making it illegal to notarise deeds not accompanied by a certificate from Madrid stating a cadastral – and minimum selling – value for every property.

Setting rural values will be difficult. Until now country property has been valued according to its agricultural profitability. But with this land increasingly being used for leisure purposes, the *catastro* will apply a straightforward market value. Getting cadastral value to within 70 per cent of market prices will be the tricky part. "We can do it if the political will exists," said Mr Russines. But it will be a brave government that brings 6m landowners not paying Rural Land Tax into the system.

Madrid may be forced eventually to fix compromise values but the cadastre itself has been forced on Spain by the return of democracy and the need to modernise local government finances. Franco left behind an essentially uncharted country, but the 1978 Constitution – which made municipalities financially autonomous – and a tax reform which later transfered responsibility for land tax collection from Madrid to town halls, mean little without realistic land values. These could only be revised by starting, and, finally, completing, a Spanish cadastre.

It is a Sysiphian labour, for while Mr Russines has just surveyed Spain's 20m urban properties and raised their taxable value from Pta15 trillion (million million), in 1984 to Pta42 trillion, urban market values have trebled to Pta120 trillion.

The cadastre should finally bring some transparency to Europe's hottest real estate market, where deeds can still refer to property as "bordered by the hills in the north, the dry tree to the west, the prickly pears to the east and the road". Even then, a notarised deed may never be fully registered. "Doing this cadastre," said an aide to Mr Russines, "we have realised just how badly property is defined in Spain."

Napoleonic cadastres suffer for being merely a fiscal tool and not a property register which defines legal rights in property. A new cadastral law may give Mr Russines some power to make Spain's 1,000 self-employed registrars co-ordinate their work with him.

Mr Russines is being even more ambitious. The cadastre will be the most sophisticated survey of land conditions in the world. Its computerised data bank will be easy to update and the Centre may even begin to market information to environmental agencies, farmers and town halls.

A new television channel has just used the urban cadastre to help it decide where to broadcast. "It seems stupid not to make all this effort profitable," said the aide. "What we are creating here is a national asset."

Rural land is now the target of a revenue service campaign to map and value the entire country

Extremadura locked in farmland dispute

A FIERCE struggle for farming rights to land in Extremadura is threatening to re-ignite Spain's long-dormant land reform debate, writes Peter Bruce. In the past week, courts have thrown out attempts by the region's Socialist government to expropriate huge estates (some 8,000 hectares) owned by the Duchess of Alba, Spain's wealthiest individual, a cousin, Rocio Falco, and a secretive Madrid investment company.

There were demonstrations on Tuesday throughout the region, a beautiful but poverty-stricken area bordering Portugal, and some estates were briefly "occupied" by protesting peasants. The Madrid Attorney General was yesterday trying to decide whether to bring charges against a Socialist senator from Extremadura for calling the judges who blocked the expropriations "highway robbers".

The judges insist they had little option. "The Socialists (in Madrid) have had eight years in power," said one, "and they still have not brought in land reform legislation the courts can use."

The expropriation orders were made under woolly legislation passed by the Suarez government in 1979. The Law of Manifestly Improvable Estates, as it is called, allows for underused land to be taken over by regional governments and to be farmed by co-operatives.

Title to the land remains unchanged and owners are entitled to rent and return of their farms after 12 years on condition they pay for improvements made in the interim. They also continue paying land taxes where they are levied. The idea was to end absentee-ownership of huge parts of Spain used mainly for pleasure, and to create jobs. But the expropriator has to prove underuse and that expropriation would be socially beneficial.

The central Government, also Socialist, has shown little interest in redistributing land. But as the Socialists begin to lose support in the cities, the rural vote will become increasingly important and pressure for effective land reform measures may grow again.

AMERICAN NEWS

Guarded support by Baker for Lithuanian vote

By Lionel Barber in Washington

MR JAMES Baker, US Secretary of State, yesterday expressed guarded support for the idea of a referendum in Lithuania to resolve the future of the independence-minded Baltic state.

Mr Baker, who opened three days of talks here with Mr Eduard Shevardnadze, Soviet Foreign Minister, said the US was encouraged that Moscow and Lithuanian leaders had begun a dialogue aimed at defusing the crisis over the Soviet republic's future.

Lithuania is overshadowing the superpower talks in Washington this week aimed at preparing for a summit meeting in June of Presidents George Bush and Mikhail Gorbachev, and at covering important arms control issues and the future of Germany.

While reaffirming Washington's concern over tensions in Lithuania, Mr Baker said: "We are encouraged that we see references from both sides to the concept, or possibility, of some sort of referendum approach."

By apparent coincidence, Mr Hans-Dietrich Genscher, West German Foreign Minister, was also here yesterday for talks with Mr Bush and Mr Baker. He will have talks tomorrow with Mr Richard Cheney, US Defence Secretary.

Mr Genscher unveiled proposals aimed at strengthening the 35-nation CSCE process, covering security, co-operation and human rights in Europe. These included plans for new CSCE institutions such as a conflict resolution centre, a forum for European foreign ministers beyond the EC Council of Foreign Ministers, and new arrangements to protect human rights.

Mr Genscher emphasised that the Bush administration and Canada supported ways to strengthen CSCE and rejected the idea that such moves would weaken Nato.

He reiterated his position that a united Germany should remain a NATO member. US troops in Europe, even if their numbers were to be at lower levels, are vital to stability on the continent, he said.

Mr Genscher's warm words on Nato suggest there is a tacit understanding between Bonn and Washington that the US will support the strengthening of CSCE as long as the West Germans express support for Nato membership and the presence of US troops in Europe.

However, Mr Genscher dismissed the idea that West Germany would support the modernisation and stationing of new short-range nuclear missiles to replace the ageing Lance. "We talked about the future; we did not discuss yesterday's issues."

Both sets of talks in Washington yesterday covered the two-plus-four forum for German unification attended by West German and East German representatives, plus US, Soviet, French and UK officials.

Mr Genscher said "two-plus-four" would not cover the future strength of the Bundeswehr, the West German army, which had "a special status." This issue should be part of the conventional forces in Europe talks in Vienna.

Minister embarrassed as Menem damns dam

By Stephen Fidler in Montreal

PRESIDENT Carlos Menem of Argentina has suspended work on a $6bn dam, just hours after a loan agreement to provide $250m to help finance the project was signed in Montreal.

The president's move is likely to embarrass the Inter-American Development Bank, which was providing the loan. He condemned the project as a "monument to corruption" and suspended work on it for six months.

The suspension has also embarrassed Mr Antonio Erman Gonzalez, Argentine Economy Minister, who seems not to have been consulted on the matter by the president. After he had signed the loan agreement in Montreal, the minister spoke in fulsome praise of the project.

The 2.7m KW power plant at Yaciretá, on the Paraná river frontier between Argentina and Paraguay, is the largest hydroelectric project in Latin America after the Brazilian-Paraguayan Itaipu dam.

The main civil engineering works began in 1985 and, by the end of 1988, some $3.2bn had been spent on it. The IADB, which concluded its annual meeting in Montreal yesterday, had made two previous loans totalling $460m, and the World Bank has loaned a similar amount.

IADB officials declined comment on the loan, but pointed out that project finance is not disbursed until work has been completed.

Venezuela plans smelter financing

THE Venezuelan Government plans to finance part of a new aluminium smelter via a $430m debt-equity swap, according to Mr Leopoldo Sucre Figarella, president of the Corporación Venezolana de Guayana, a government-controlled heavy industry group, writes Joe Mann in Caracas.

The Government has been promoting construction of a new aluminium producer, Aluyana, at Ciudad Guayana. Plans call for a total investment of $980m.

Boesky walks free in NY

By Roderick Oram in New York

MR IVAN Boesky – the convicted insider trader who typified the frantic and shady side of Wall Street in the 1980s – was freed yesterday.

He was released at 5.05 a.m. from a halfway house in Brooklyn, across the East River and a world away from Wall Street.

With time off for good behaviour, he had served barely two years of his three-year sentence, first in a so-called Club Fed minimum security prison in California and then, since last December, in New York.

The halfway house became crowded so, since February, he had lived at home with his family. He checked in at the halfway house twice a week.

US companies seek to pay their civic dues

Hazel Duffy visits Cleveland where business has helped reverse the decline of a city

The city of Cleveland, Ohio will be watching anxiously to see if the recent reorganisation of BP will result in a diminution of the company's investment in the community. BP America's support for local community development groups in Cleveland's inner city has been followed with particular interest by US and British companies.

Civic involvement has a long tradition in the US at both individual and corporate levels. As the problems in American cities multiply, business is seen increasingly by politicians and communities as the sole means to fill the gap left by the cuts in Federal financing.

"In this city, you have to pay your dues in civic involvement, no matter how much money you have," says Mayor Maynard Jackson, mayor of Atlanta, Georgia.

This sort of partnership between business and the most deprived communities is just one of several types of partnership arrangements – formal and informal – which have evolved in the US over the past decade.

Mayor Jackson's message is that he needs business and business needs him. He promises business that he will provide "a safer, more prosperous city for everybody." In return, he expects co-operation from business.

Mr Dan Sweat, former president of the powerful group of Atlanta business leaders, confirmed the substance of this partnership behind the gloss. He recalled the time when plans for the city's mass transit scheme were in danger for want of the last tranche of funds. The city's business heads were called in by the mayor, the financial guarantees were pledged.

In their different ways, British and French cities are following similar tacks.

Partnership is best exemplified in cities like Boston and Baltimore in the US. Public money was plentiful in the 1970s. The property boom of the 1980s, ushered in by the rehabilitation of the Quincy market and Boston waterfront was managed by the city's redevelopment authority, banks and financial institutions, and developers. The returns were handsome.

But the Boston boom – like the Massachusetts miracle from which it derived much of its impetus – is over. The outlook for new developments is murky State and city funding for ambitious infrastructure projects is also less certain.

In the meantime, local community groups wait to see how they will be affected. Five years ago, incoming Mayor Flynn set up a linkage fund. Developers pay a tax, levied according to the project size and type, and location, which goes to the community.

Ten years after Boston and Baltimore lead the field, Cleveland, which lost around 90,000 manufacturing jobs between 1978 and 1988, pins its regeneration plans on similar public/private sector partnerships.

Cleveland presents a remarkable example of the way in which business groups, working with the wealthy charitable community foundations (Cleveland has two), and with the backing of the city council, might reverse the decline of a city.

At the end of the 1970s, the city's corporations were deserting, plants were closing, industrial relations were bad, industrial pollution was appalling. The city's top companies got together eight years ago to work out ways to arrest the decline, helped by a consultants' study financed by one of the foundations.

There have been false starts, and problems. But, using a variety of mechanisms to promote economic development, and stimulating the existing core businesses, the city looks to be on course.

Subsidising commercial developments, while poverty continued unabated, worked in Boston and other cities, including. And they tried in Detroit. In the shocked lull after the 1967 riots, business and black leaders got together. Henry Ford II, one of the founding fathers of a similar business grouping to that in Cleveland, went round the world raising money for the Renaissance Centre, opened in the mid 1970s.

As a project to spur renewal of the city centre, it did not work. Fifteen years on, and a few new buildings are going up. They call it the second renaissance. But Detroit has a very long way to go before it can reverse the situation left by the exodus to the suburbs.

Detroit remains a frightening example to other cities of the dangers of leaving things too late. But even here, the civic ethic is alive, and some sort of partnership between business and the community has been struck.

The leadership programme is a voluntary group, backed by the chamber of commerce, which mixes people from private and public sectors, from all racial groups, from the wealthy and predominantly white suburbs to the deprived neighbourhoods, to learn about the city's problems and needs.

Contra wind-up deadline set

By Tim Coone in Managua

CENTRAL American leaders have sent a strong message to Washington by setting a deadline of April 25 – the day the new US-backed Nicaraguan government takes office – for the complete disbandment of the 12,000-strong forces of the Nicaraguan contra rebels.

The five leaders also called for all US aid to the contras, which Washington created, to be cut and channelled via UN bodies so as to help the contras reintegrate to civilian life.

The move follows a two-day summit at the Nicaraguan beach resort of Montelimar.

The contras decided last week to abandon their rearguard sanctuaries in Honduras. President Rafael Callejas of Honduras assured the outgoing Sandinista President Daniel Ortega of Nicaragua that their joint border will be sealed. This would cut the contras' supply lines and prevent escape to Honduran territory if they decide to ignore the demobilisation plan.

Contra attacks continued this week in the northern Nicaraguan mountains. There are estimated to be more than 8,000 rebels camped there with supplies thought to be enough for two to three months.

The demobilisation plan envisages the concentration of these forces into five "security zones" of some 150 sq kms each, where they would hand over their weapons to UN peace-keeping troops to be destroyed *in situ*.

President-elect Violeta Chamorro of Nicaragua has praised the summit accords. However, once in office, she will have to order the country's Sandinista-controlled army into action against contras who reject the plan or negotiate with them. The latter option would break an agreement with the outgoing government and could provoke a Sandinista rebellion.

William Dullforce adds from Geneva: El Salvador's right-wing government and the left-wing Farabundo Martí Liberation Front (FMLN) guerrillas, agreed here yesterday to end their war and to negotiate peace under UN auspices.

Mr Oscar Santamaria, Justice Minister, and Mr Shafik Handal, an FMLN commander, signed a seven-point document presented by Mr Javier Pérez de Cuéllar, UN Secretary-General, detailing a process for achieving a "definitive end" to the armed conflict in the Central American country.

Mr Pérez de Cuéllar said he had assurances of serious intention and good faith from both sides; each had pledged not to renounce the negotiations. Abandonment of an earlier peace programme last October led to a rebel offensive in November.

The two sides agreed that the UN process should end the war as speedily as possible, promote democratisation, guarantee unrestricted respect for human rights and "reunify Salvadorean society".

Guarantees and conditions would be established for reintegrating FMLN members to the civilian, institutional and political life of the country.

There will be a direct dialogue between commissions from each side, with UN participation.

NEWS IN BRIEF

Tough takeover law

The toughest anti-takeover legislation in the US will soon become law in Pennsylvania. Similar measures are expected to be introduced in other states, Peter Riddell writes from Washington.

The legislation was approved late on Tuesday in the Pennsylvanian House of Representatives by 182 votes to 10. Small differences between the House and the state Senate version (already passed) are to be resolved quickly.

The legislation would provide a series of protections against hostile bids and penalties for bidders.

The Securities and Exchange Commission and institutional investors have protested that the bill would entrench existing management and undermine shareholders' rights.

Sweeping revision of Clean Air Act

The US Senate approved late on Tuesday, by 89-11, a sweeping revision of the Clean Air Act, Reuter reports from Washington.

The complex bill which has the backing of President George Bush. The Senate must now await action by the House of Representatives on its version of the bill. It is likely to add $20bn a year to the estimated $33bn cost of meeting current pollution laws.

Canada tries to block refugees

Canada has imposed a new visa requirement to halt a wave of eastern Europeans claiming refugee status during refuelling stops by Soviet and Cuban aircraft at Gander, Newfoundland, Bernard Simon writes from Toronto.

Under the new rules, citizens of any country who normally need a visitor's visa for Canada will have to produce a transit visa before they are allowed to leave aircraft making technical stops at Gander and at Mirabel airport, near Montreal, another popular point for refugee claimants. More than 2,000 people, most of them Bulgarians, have approached Canadian officials so far this year in the Gander transit lounge asking to stay in Canada.

WORLD TRADE NEWS

STRUCTURAL IMPEDIMENTS INITIATIVE

Japan and US extend talks into extra day

By Nancy Dunne in Washington

MRS CARLA HILLS, the US Trade Representative, yesterday said US and Japanese negotiators were still "making progress" as they embarked on an extra day of intense bargaining in talks over structural barriers to trade.

President George Bush and Mr James Baker, the US Secretary of State, were to meet yesterday afternoon with Mr Nobu Matsunaga, former ambassador to the US, who has been sent to Washington as a special envoy by Mr Toshiki Kaifu, the Japanese Prime Minister.

Although the talks to remove structural impediments to trade in the US and Japanese economies were to run for only two days, Mrs Hills said the bargaining would continue "until they get the issues resolved".

A series of recent bilateral accords, produced by the targeting of Japan's trade barriers under Super 301 of US trade law, has created a mood of expectancy in Washington that the trade tensions can be eased.

Scepticism still abounds, stemming from the failure of past US-Japan trade agreements, but senators and congressmen on Capitol Hill were cooling their rhetoric.

It appeared likely that agreement in the Structural Impediments Initiative and the remaining Super 301 case over wood products would lessen pressure to name Japan to the second Super 301 list due at the end of the month.

In the past two weeks, Japan has agreed to US demands in sectoral talks to remove trade barriers to the sale of supercomputers, satellites and telecommunications. The telecommunications case, although not yet finalised, was particularly important, because under US trade law, President Bush would have had to show cause not to retaliate if agreement had not been reached.

Under the satellite agreement, Japan promised an open, transparent and nondiscriminatory system for buying satellites not dedicated solely to research and development. This opens up not only government procurement of commercial communications and broadcast satellites, but all satellites. Talks over wood products are to be held next week in Tokyo. US officials detect a shift by their counterparts on technical standards, and Japanese officials have expressed optimism that a deal will be struck.

Taiwan risks retaliation from US over copyright

By Robin Pauley, Asia Editor, in Taipei

TAIWAN is again in danger of being listed for retaliation by the US under the Super 301 trade legislation.

Negotiations between the two sides foundered in Washington last week on the old but seemingly insoluble dispute about copyright protection.

Officials from the Council for Economic Planning and Development admitted yesterday that they would not be surprised if Taiwan was penalised by the US under Super 301. The sticking point has been US objections to part of Taiwan's copyright law which permits the purchasers of legal copies of some works to sell or rent out the copies without the permission of the author. Taiwan refused strong US demands for this article to be deleted from the Copyright Law.

The US negotiators have asked for Taiwan to provide further justification by the middle of this month, the implication being that if there is no change of heart Super 301 may be invoked. Taiwan has been listed for retaliation previously, in 1988.

The US trade negotiators also remain dissatisfied with Taiwan's speed of liberalisation in some financial areas and in agricultural products.

● Taiwan recorded its first monthly trade deficit since March 1988 in February with deficit of $320m, largely due to record volumes of imports

Turkish car market lures manufacturers from overseas

By Kevin Done in London and Jim Bodgener in Ankara

TOYOTA, the leading Japanese car producer, is planning to establish a joint venture car assembly plant in Turkey as part of moves by leading car makers to manufacture there.

The small Turkish car market is dominated by Fiat of Italy, with a share of about 51 per cent, and Renault of France while Ford has a small presence. At least three other car makers are aiming to set up assembly operations prompting fears of substantial over-capacity.

● Toyota is seeking approval for a plan to invest up to $250m to establish a plant with an eventual capacity to produce up to 100,000 cars and commercial vehicles a year.

Initially it is planning to produce 20,000 1.6 litre cars a year with operations starting in early 1993.

Toyota is proposing to form a joint venture, in which it would hold 40 per cent of the equity, with Haci Omer Sabanci Holding, one of the largest Turkish conglomerates with interests in textiles, cement, tyres, household appliances and banking and insurance, which would hold 50 per cent. Mitsui, the Japanese trading house, could take a 10 per cent stake.

● The Peugeot group of France, which includes Citroen, has applied to the Turkish Government for approval for an assembly project that would also have an eventual capacity of up to 100,000 cars a year. It is understood that Peugeot is planning to produce the 405, introduced in most European markets in 1988, along with a new Citroen range to be introduced in Europe soon to compete against cars such as the Ford Escort and VW Golf. Peugeot is involved with Cukurova, another Turkish conglomerate as well as the UK's Polly Peck International, owned by Turkish Cypriot entrepreneur Mr Asil Nadir.

● General Motors of the US is furthest advanced and is planning to begin production in the final quarter of the year of its 1.8 and 2.0 litre Opel Vectra/Vauxhall Cavalier. The GM plant will create about 300 jobs and is planned to reach a capacity of up to 10,000 cars a year by the end of 1991. The initial investment will total $25m, but this could be expanded, if justified by demand.

Approval for the Toyota and Peugeot projects is expected soon, perhaps by the summer, despite opposition from existing producers.

Renewed interest in the Turkish car market has been sparked by a sharp recovery in domestic demand and sweeping reductions in import tariffs since last summer. There has also been a fundamental relaxation of the foreign investment regime since last August, as part of the drive towards convertibility of the lira.

Domestic car sales this year are expected to increase by around 35 per cent to 160,000 according to Mr Ali Ihsan Ilkbahar, president of the Automotive Manufacturers' Association and also general manager of Tofas, the Fiat joint venture. Production in the first two months of the year increased to 26,948 from 16,234 a year ago.

The Turkish Government appears keen to encourage increased competition in the domestic car market.

Tofas the 41.5 per cent-owned Fiat licensee, is also planning to increase the capacity of its Turkish plant to 75,000 cars a year and is to introduce the new Fiat Tempra medium-sized saloon range next year.

Oyak-Renault, 44 per cent owned by Renault with a market share of around 44 per cent, is also planning a significant expansion.

Car exports from Turkey are still modest and are targeted to total around 10,000 this year compared with 8,220 in 1989.

Prague quits Comecon agreements

CZECHOSLOVAKIA has officially notified Comecon, the crumbling Soviet-led state trading bloc, of its withdrawal from three multilateral agreements designed to regulate currency rates in trade relations, writes Quentin Peel in Moscow.

The move is seen in Moscow as an attempt to accelerate the process of transition to a system of bilateral monetary relations within the bloc, rather than multilateral deals.

The Czechoslovak Government had given advance notice of its intention to quit the agreement which regulates the rates of exchange between all the member states' currencies and the "transferable rouble" – the accounting unit in which most Comecon trade is denominated.

The other two agreements concern payments for invisible trade transactions, such as tourism, the maintenance of government missions and business travel.

● The European Community has completed its network of trade and economic co-operation accords with eastern Europe by concluding negotiations with Bulgaria on Tuesday night, writes David Buchan in Brussels.

The Commission will put before EC leaders at their April 28 summit plans for "second generation" agreements.

These would go beyond the simple removal of discriminatory quotas to include tariff reduction, financial aid from the EC budget and a formalised political dialogue.

Phone cartel faces up to inevitable change

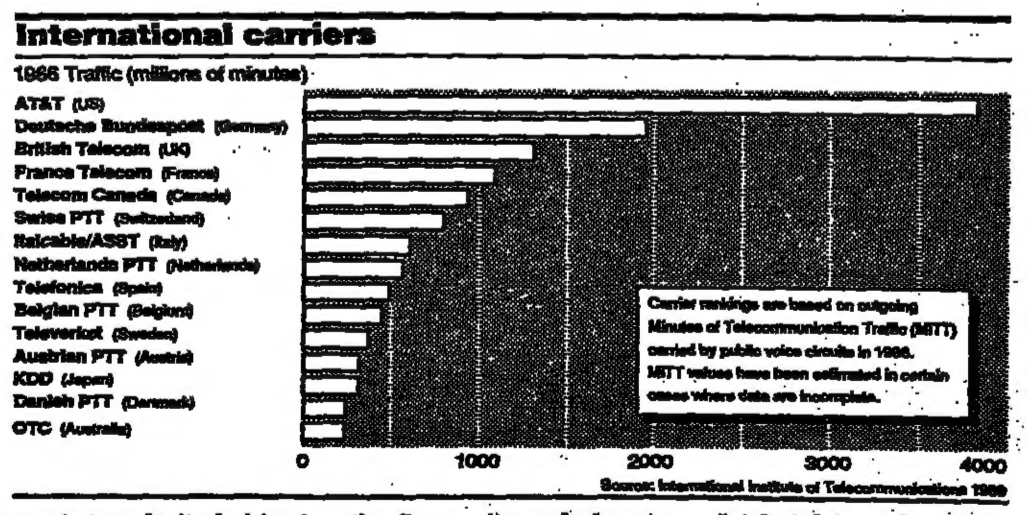
Watchdogs, entrepreneurs and competition will hasten downfall, writes **Hugo Dixon**

LIKE all monopolies and cartels, the international phone cartel, which keeps prices well above costs, will eventually come to an end. Pressure is coming from three sources.

First, the telecommunications watchdogs are waking up to the fact that international phone prices are too high.

The US is the only leading country to have deregulated international communications completely. But the American free-market approach is blunted unless it is matched by similar policies at the other end of the link. So it is trying to persuade other governments to take similar action.

International carriers



Source: International Institute of Telecommunications 1989

The US wants the accounting rate system, which determines the share out of international revenues, to be reformed. It thinks the near-monopoly held by Intelsat, the international satellite body, should be broken and it is pressing for CCITT, the club of international telephone operators, to abandon recommendations which stop private networks being used for public traffic.

The closest US ally is the UK, which has partially deregulated its market. Mr Gerry Brock, former head of the US Federal Communications Commission's common carrier bureau, believes that "the key to breaking the cartel in international rates is some form of deal between the UK and the US".

The UK's Office of Telecommunications has recently started investigating whether international private networks should be liberalised and expects to make its decision in the middle of the year.

Oftel is also gearing itself up for a review of telecommunications policy later this year. The main issue is whether the BT/Mercury duopoly should be allowed to continue or whether new operators should be licensed.

The European Commission is also interested in the workings of the cartel. Earlier this year in a landmark decision, DG4, its competition branch, forced Europe's phone companies to abandon a price-fixing arrangement for private networks.

Meanwhile, DG13, the information technology branch, is concerned that customers are being charged two to three times as much to call across frontiers as they pay to make a call within the same country. It is conducting a series of studies on phone prices within the Community, and plans to review progress on bringing prices into line with costs at the beginning of 1993. DG13 will then step up its action if there has not been substantial changes.

Japan, long criticised for having some of the highest international rates in the world, has seen international prices fall by about 40 per cent since two new carriers were licensed two years ago to compete with KDD, the established international operator.

The second force for change are entrepreneurs. The most brazen example is that of Mr Rene Anselmo, chairman of Pan American Satellite. His plan to put up a satellite over the Atlantic Ocean ran into problems with Intelsat, the monopoly which has the right to vet all new satellites that are launched.

Intelsat later relented but PanAm Sat's licence still prevents it from carrying public voice or data transmissions, which constitute 85 per cent of the international market.

Another US entrepreneur who is trying to crack open the cartel is Mr Greg Olinyk. His company – SCN – wants to lease hundreds of private circuits between New York and London and then sell space on them to financial companies.

Because SCN would be buying in bulk, it would be able to undercut the established operators on the lucrative Wall Street-City of London route.

The third force for change is the phone companies themselves. Many realise that the old monopoly system cannot remain intact and they are therefore positioning themselves for the future.

So far, competition has emerged only in niche markets. The most important is the provision of private networks to multinationals.

Another area where competition is emerging is data communications. Last year there was a spate of activity by the phone companies to put together international data networks: BT bought Tymnet; AT&T bought Istel of the UK; and nine phone companies – including MCI, France Telecom, the West German Bundespost and Telecom Australia – acquired Infonet of the US.

As markets are deregulated, these data communications operations could form a platform from which the telephone companies will compete in voice communications.

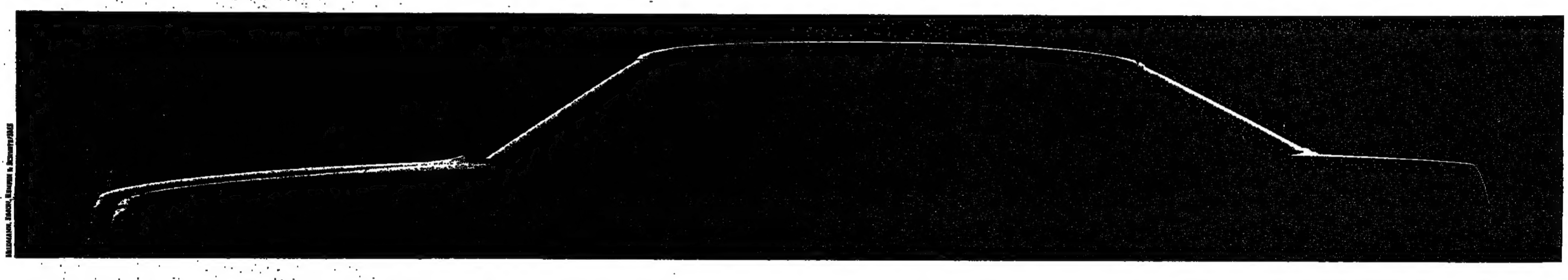
The opening up of eastern Europe may also help to break the cartel. The Soviet Union is anxious to export the services of Intersputnik, the Eastern bloc's satellite system, and to build a trans-Siberian fibre-optic cable linking Europe and Japan.

The watchdogs, entrepreneurs and the phone companies will eventually bust open the international cartel and deliver much lower prices. But if more rapid change is to occur, a fourth force will have to be harnessed – the users. So far, they have not made much of a noise about international phone services because they do not know what they are missing out on.

This is the third and last article on the international telephone cartel. The first appeared on the leader page on April 3 and the second appeared on this page yesterday.

"Art will always be art."

Johann Wolfgang von Goethe



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Peres says he is ready to form government

By Hugh Carnegy in Jerusalem

MR Shimon Peres, the Israeli Labour party leader, said last night he had secured enough support in the Knesset (parliament) to form a coalition Government which he said would be committed to peace.

Mr Peres said he had asked the speaker of the Knesset, which is now in recess, to convene a special session to allow him to present a new administration. "Peres will present the Government to parliament and it will get a vote of confidence," said Mr Chaim Ramon, leader of the Labour parliamentary caucus.

Labour's sudden confident declaration that it was ready to form a government surprised many observers who are still sceptical that Mr Peres had achieved the breakthrough he has sought for two weeks to make him Prime Minister for the second time. The various Knesset parties from which he needs extra support to be certain of a majority denied they had gone over to Labour.

President Chaim Herzog gave Mr Peres the chance to form a government two weeks ago following the collapse of a 15-month old coalition between Labour and the hardline Likud party, led by Mr Yitzhak Shamir, the incumbent Prime Minister. Mr Shamir had refused to accept the US terms for talks with the Palestinians on holding elections in the occupied territories as the first stage towards a comprehensive settlement. Mr Peres wanted to go ahead.

Intense political haggling followed as Mr Peres sought to break a deadlock in the 120-seat Knesset where support for Labour and Likud from their own ranks and their small party allies divided at 60-60.

Mr Peres did not say who was prepared to break ranks to enable him to become Prime Minister. At times during the past fortnight Labour officials have suggested they would try to push through a government before Mr Peres' three-week mandate expires even if they did not have firm pledges of extra support.

The Labour leader secured the backing of Agudat Israel, one of the four religious parties in the Knesset. But at least until yesterday he had tried without success to woo support from the other three.

In recent days, Labour's attention focused on five dissident members of Likud, led by Mr Yitzhak Modai, until recently an ally of Mr Ariel Sharon, a rigid opponent of the peace talks formula.

Mr Modai and one of his five colleagues were reported to be considering joining forces with Mr Peres because of dissatisfaction with Mr Shamir. Mr Modai at one point demanded a $10m bank guarantee from Mr Shamir to back up any Likud promises to ensure his loyalty.

● Israeli helicopter gunships attacked the Palestinian refugee camp of Rashidiyeh in south Lebanon yesterday, wounding five children, a Palestinian said, Reuter reports from Beirut.

Peres (left) says he now has enough support in the Israeli Knesset to put Shamir (centre) out in the cold, but which way Modai (right) will swing continues to remain unclear

Afghans may end communist monopoly

AFGHANISTAN plans to strip the ruling Communist Party of its virtual monopoly on power and pave the way for multi-party democracy, a senior Afghan official said yesterday, Reuter reports from Nicosia.

Mr Habib Mangal, chairman of Afghanistan's House of Representatives told Reuters in an interview in Cyprus that Kabul hoped the sweeping political changes would help end the Afghan civil war.

Outlining plans similar to changes that have swept Eastern Europe, he said the ruling People's Democratic Party of Afghanistan (PDPA) planned to dissolve itself and then operate under a new name in the hope of winning wider support.

"We hope to create a new political climate in Afghanistan which will allow for the formation of different political parties. Our aim is political pluralism," he said.

A Loya Jirgah, or grand assembly, would convene next month to draw up a new constitution to replace the present Marxist-inspired document.

South Korea unveils economic package

By John Ridding in Seoul

SOUTH Korea yesterday announced a package of economic measures, postponing indefinitely a controversial financial reform and providing support for the the country's flagging exports and investment.

Mr Lee Seung Yun, the deputy prime minister and head of the cabinet economics team, said the measures were "designed to revitalise the economy which has lost much of its vigour."

But most of the measures had already been anticipated and were seen as relatively modest. The stock market, which has fallen steadily this year, shed a further 7.5 points to close at 828.9.

The most controversial measure was the postponement of plans to force the use of real names in financial transactions.

The reform was strongly opposed by the large conglomerates, or chaebol, which dominate the economy, and has been blamed for the flight of funds from the Korean stock market into real estate speculation and overseas accounts.

South Korea's ruling Democratic Liberal Party yesterday suffered a setback in its first electoral test since it was formed in February, John Ridding writes from Seoul. A ruling party candidate was defeated in a parliamentary by-election in North Chungchong province, south of Seoul, by a representative from the Democratic party, a fledgelingopposition group.

In a second by-election, in the central city of Taegu, the ruling party candidate secured victory, but by a narrower margin than expected in a traditionally solid ruling party stronghold.

The results were seen as a blow to the new party which had seen the elections as a referendum on the merger of the DJP, the old ruling party, and two opposition parties in February.

Advocates of the plan argued that it was necessary to remove malpractice and to enable a more equitable distribution of wealth through the implementation of a capital gains tax and a more progressive tax on interest income.

Mr Lee said also announced several measures to encourage investment and exports.

A special investment fund which provides loans at preferential interest rates has been increased from won 1 trillion ($1.43bn) to won 2 trillion, and won 20bn will be made available to stimulate exports in small- and medium-sized industries. In addition, credit restrictions on the 30 largest chaebol have been eased.

The government emphasised its commitment to curbing property speculation, which has prompted a sharp increase in house and rental prices. Taxes on property transactions will be raised and existing legislation will more rigorously enforced.

But analysts questioned whether this was enough. "The attack on speculation is vague and contains nothing new," said Mr Thae Kwarg of Barings Securities. "It is difficult to see how this will solve the problem of sharply increasing prices."

In presenting its long awaited expansionary package, the government was constrained by rising inflation. Consumer prices rose by a strong 3. 2 per cent in the first quarter and this ruled out a rumoured cut in bank lending rates. However, Mr Lee said that non-bank financial institutions will be induced to cut their interest rates by at least one percentage point.

Mr Lee, who was appointed to his post in a sweeping cabinet reshuffle earlier this month, blamed the slowdown of the Korean economy on declining exports resulting from a lack of international competitiveness. Last year exports grew by only 3 per cent, restricting GNP growth to 6.5 per cent, compared with more than 12 per cent in 1988.

He said that the government had not made sufficient efforts to combat the decline and that "not enough efforts were made to expand and improve the infrastructure and boost investment in the development of technology and human resources."

Scathing attack on Indian telecom project

By David Housego in New Delhi

INDIA'S efforts to develop its own digital switching system for urban telephone exchanges were thrown into disarray yesterday by damning criticism of the C-DOT (Centre for the Development of Telematics) programme by the new minister in charge of telecommunications.

The effect of the harsh attack is likely to be to reopen the multi-billion dollar Indian market for telecommunication switching equipment to foreign suppliers. Alcatel's E10B exchange is already made under licence but Ericson and AT&T are also said to be seeking a foothold.

Mr K.P. Unnikrishnan, the Minister for Communications, accused C-DOT of financial malpractices in its procurement of components and the keeping of its accounts.

The minister said: "While the project was meant for self reliance, it has been used by certain people for self aggrandisement."

The new government ordered an enquiry into C-DOT's affairs immediately on taking office.

Mr Sam Pitroda, an Indian electronics engineer trained in the US, a charismatic and controversial figure, both developed the C-DOT exchange and was in charge of telecommunications policy under former Prime Minister Rajiv Gandhi.

Last year he closed the door to further imports of switching equipment by announcing that India would rely on its own C-DOT technology.

Mr Pitroda said last night: "We have not done anything wrong that I am aware of. Everything has been verified and audited." Mr Pitroda said that he would stay on as head of C-DOT to fight the charges against the organisation.

Mr Pitroda claims that the 16,000 port C-DOT main exchange was ready to go into production in June operating initially 20,000 lines and 40,000 by the end of the year. The architecture of the exchange is based on extending a low capacity exchange by adding on further printing circuit boards.

Most telecommunications multinationals argue that this system will not work with heavy urban traffic. C-DOT has already developed office (PABX) and rural exchanges.

Saying that he was calling for further investigations into C-DOT's affairs, Mr Unnikrishnan said that though C-DOT had been set up in 1984, it had failed to deliver any switches for main exchanges. He said the cost had doubled from Rs350m (£12.8m) to Rs700m.

The minister's remarks follow the submission of the report of the initial committee of enquiry into C-DOT. Though this is believed to have been heavily critical, four of the 13 members refused to sign and submitted their own report in support of Mr Pitroda. Two of the minority members, both executives of C-DOT, were on Monday dismissed from their jobs - though they have refused to step down.

Behind the dispute, which at the very least will be a devastating blow to the morale of the 500 member C-DOT team, lies the political clash between the new government and those who had the confidence of Mr Gandhi.

Gadaffi call to free hostages

LIBYAN leader Colonel Muammer Gadaffi has urged Moslem kidnappers to release their hostages during the current Islamic holy month of Ramadan, the official Libyan news agency JANA said yesterday, Reuter reports from Nicosia.

JANA, monitored by the BBC, said Col Gadaffi called on Moslems to adhere to "the noble Islamic values which affirm the honour and humanity of man and the non-taking of innocent hostages".

It said he referred to hostages of various nationalities and religions held by Moslems in the Middle East, especially Frenchwoman Jacqueline Valente and her family.

Pro-Iranian militants hold 17 Westerners, including eight Americans and three Britons, hostage in Lebanon.

Fire-fighting volunteers help firemen battle a blaze in the old commercial section of Bangkok's Chinatown yesterday

Warning as Keating cuts interest rates

By Bruce Jacques in Sydney

AUSTRALIA'S Labor government honoured its election promise with a reduction in interest rates yesterday, but warned there would be no further cuts in coming months.

Mr Bernie Fraser, head of the Reserve Bank, announced the bank had cut its official cash rates by about one percentage point to between 15 and 15.5 per cent.

This produced an immediate response from the four major trading banks, privately-owned Westpac, ANZ, the National and the Federal Government-controlled Commonwealth, which all announced cuts in both their business lending rates and their mortgage rates.

The three privately-owned banks cut their mortgage rates by half a percentage point to 16.5 per cent, but the Commonwealth went further with a 0.75 per cent cut to 16.25 per cent.

The four banks also reduced their prime business lending rates by between 0.75 and 1 per cent to between 18.5 and 18.75 per cent.

But the biggest prime lending rate cut came from the much smaller BT Australia, which announced a 1.75 per cent cut to 18 per cent.

The cuts were the second in the past few months but Mr Paul Keating, the Federal Treasurer and Mr Fraser warned there would be no more for a few months.

They said the Australian economy was slowing markedly, and while this created a climate for reducing inflation, control had to be maintained through tight monetary policy.

"A prudent cut in interest rates and a relaxation of monetary policy...should not imply a wholesale relaxation of monetary policy," Mr Keating said.

NEWS IN BRIEF

Hopes rise for peace talks in Mozambique

MOZAMBIQUE'S socialist government hopes to hold peace talks with right-wing rebels by the end of the month, US official Jewel Lafontant said yesterday, Reuter reports from Harare.

Ms Lafontant, who met Mozambican President Joaquim Chissano at the weekend during a tour of refugee camps in southern Africa, said Mr Chissano had told her the main obstacle to talks to try to end the 15-year civil war was finding a mutually agreed venue.

Mr Chissano said last week he would drop demands for a ceasefire to precede peace negotiations with rebels of the Mozambique National Resistance (MNR), fighting to topple the government since Mozambique's independence from Portugal in 1975.

Mandela pledge on negotiations

Mr Nelson Mandela, deputy president of the African National Congress said yesterday the ANC was deeply committed to talks with the South African government, although it had suspended an exploratory meeting scheduled for April 11, Reuter reports from Johannesburg.

Mr Mandela said he had been talking to cabinet ministers in the three years before his release from prison in February, specifically to bring about such a meeting.

"We would not work so hard over three years for a meeting between the ANC and the government if we were going to turn around on a flimsy reason and refuse to see the government," he said.

The ANC postponed its first official meeting with Pretoria in protest against the police shooting late last month of up to 17 black demonstrators in the black township Sebokeng, but Mr Mandela has agreed to meet De Klerk informally today.

Sihanouk in fresh peace move

Exiled Cambodian leader Prince Norodom Sihanouk has proposed a meeting of the four warring Cambodian factions in Bangkok on April 15, Reuter reports from Bangkok.

The prince, whose Sihanoukian National Army is under heavy pressure from government forces, said the meeting should take place in a Bangkok hotel.

There was no immediate word from either of the other two guerrilla groups, the Khmer Rouge and the Khmer People's National Liberation Front (KPNLF), or from the rival Vietnamese-backed government in Phnom Penh on whether they would attend such a meeting.

The last talks intended to settle the 11-year conflict ended in February without progress.

Pilots join democracy protests

Pilots of Nepal's state-owned airline went on strike yesterday in support of a campaign for multi-party democracy, Reuter reports from Kathmandu.

The one-day strike was the latest demonstration of support from the impoverished Himalayan kingdom's professional groups for the six-week-old Movement for the Restoration of Democracy (MRD) and their opposition to tough government action against it.

Demonstrations continued in support of the MRD's bid to overturn the country's partyless system of elected councils from village to national level.

Lebanese militia leader offers truce

MR Samir Geagea, the leader of the Lebanese Forces Phalange militia yesterday volunteered to surrender to the internationally recognised government of President Elias Hrawi and called on General Michel Aoun to do the same, writes Lara Marlowe in Beirut.

"Handing over the army barracks in all Lebanese areas to General Lahoud (President Hrawi's commander in chief) would be an introduction to restore stability and put the country on the track of peace," Mr Geagea said.

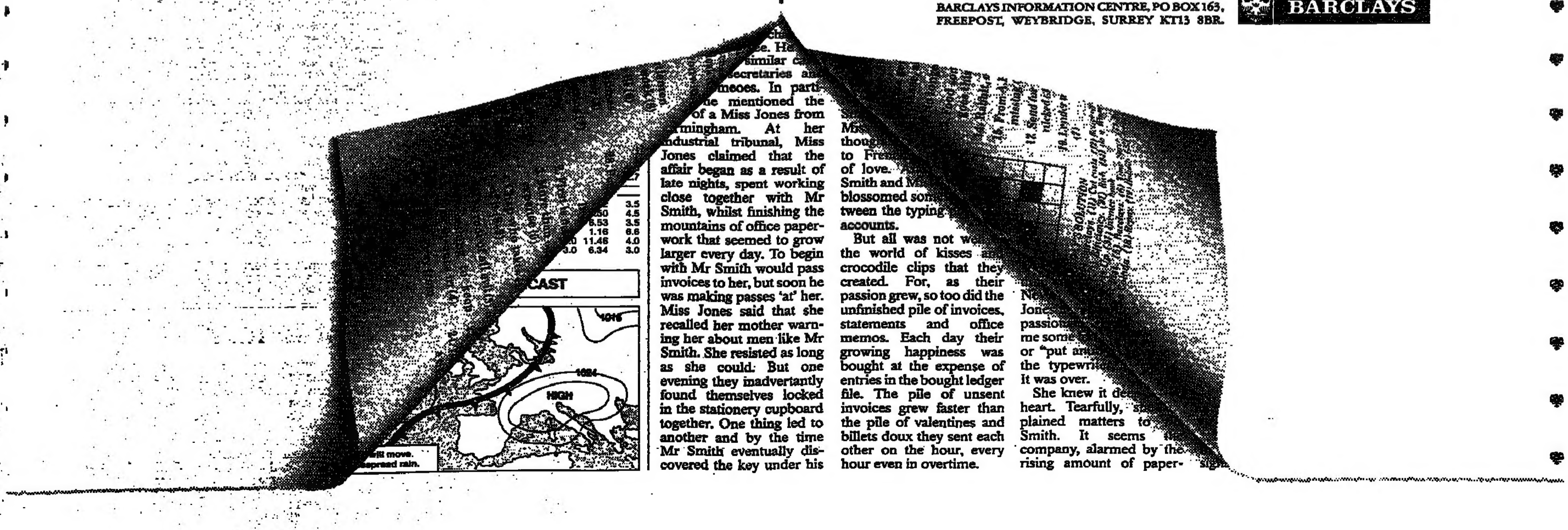
Mr Geagea's proposal has opened the possibility of a peaceful conclusion to the conflict and a means for reuniting the country and the army under one government.

Mr Geagea made his appeal after attempts by the Maronite church to mediate failed.

He asked that the transfer take place by April 15, "to allow the people to celebrate (Easter) in tranquillity."

Several times in the course of the conflict Mr Geagea has asked President Hrawi to send in troops to stop the fighting.

The Lebanese Army is split with 15,000 troops loyal to Gen Aoun and 15,000 serving under Gen Lahoud.



Jones claimed that the affair began as a result of late nights, spent working close together with Mr Smith, whilst finishing the mountains of office paperwork that seemed to grow larger every day. To begin with Mr Smith would pass invoices to her, but soon he was making passes 'at' her. Miss Jones said that she recalled her mother warning her about men like Mr Smith. She resisted as long as she could. But one evening they inadvertantly found themselves locked in the stationery cupboard together. One thing led to another and by the time Mr Smith eventually discovered the key under his
accounts.
But all was not we
the world of kisses
crocodile clips that they created. For, as their passion grew, so too did the unfinished pile of invoices, statements and office memos. Each day their growing happiness was bought at the expense of entries in the bought ledger file. The pile of unsent invoices grew faster than the pile of valentines and billets doux they sent each other on the hour, every hour even in overtime.
It was over.
plained matters to
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FUTURE OF HONG KONG

Unpopular Britain trails in emigration destination league

Michael Marray finds few citizens relish the prospect of life in a country whose people and climate they think unpleasant

EVERY MONTH around 1,000 Hong Kong citizens pack up their belongings and leave for a new life overseas to secure foreign passports in the run up to the 1997 handover of sovereignty to China. Most are destined for North America or Australia. In spite of the controversy in Britain over the granting of even a small number of passports, the UK is not a sought after destination.

Few Hong Kong people express an interest in living in Britain, which they tend to view as being far too quiet, with bad unemployment and a poor climate. "That would be bottom of the list, I don't know anyone who wants to go," said Yvonne, a 29-year-old teacher. "The weather is not nice and the people are not nice," she said – the latter point reflecting a growing perception of the British since the campaign against passports for Hong Kong people began, spearheaded by Mr Norman Tebbitt, the former party chairman.

In densely populated Hong Kong, people go out most nights of the week to eat or meet friends, and enjoy being part of the milling crowds which are a rarity in the UK. "It's just the whole country is so depressing," said Victor, a 25-year-old executive with a record company. "I wouldn't want to work in a fish and chip restaurant," he adds, saying that he has friends in England "who are good and can't get jobs."

"The English people I have met in Hong Kong are nice," said Christina Fu, a secretary in her mid twenties, but she too regards the weather and high unemployment as two good reasons not to consider living in Britain. Such feelings are common in Hong Kong, which suggests that the British nationality package, giving passports to 50,000 key professionals and their families, may work as intended to keep a few vital people in Hong Kong safe in the knowledge that they have their "insurance policy" in place should the worst come to the worst once the Chinese are in control.

The well publicised opposition within the British Parliament to immigration from Hong Kong has heightened the impression locally that Hong Kong people would face discrimination in the UK. "I would never think of going to England," said Connie, a 26-year-old translator. "They are quite against the Hong Kong people, more so than in other countries."

With such difficulties in mind the USA and Canada remain the firm favourites for Hong Kong people looking overseas, and will continue to be able to lure away professionals with offers of passports, leaving Hong Kong short of computer operators, engineers, doctors and other vital occupational groups.

"It will get worse unless other countries decrease their quotas," said Sara Tang, a lecturer at the city polytechnic of Hong Kong who helped carry out a survey on emigration from the colony for the Hong Kong Institute of Personnel Management.

Instead, all the signs are that many countries will instead be increasing their quotas, encouraged by companies short of qualified staff. All 74 radiotherapists in Hong Kong recently received letters from a New York medical centre offering high salaries and promising assistance obtaining passports. Last year Qantas, the Australian national carrier, moved in on staff of the Hong Kong Aircraft Engineering Company (Haeco), poaching highly trained engineers with the incentive of Australian citizenship.

The promise of a passport often persuades people to leave even where salaries may be lower. The Hong Kong personnel institute survey found that one fifth of respondents took a drop of more than 50 per cent in their salary when they went overseas. Whereas there is a long tradition of Hong Kong Chinese emigrating in search of a better life, many of the present generation are reluctant emigres, leaving behind an affluent lifestyle.

The decision to leave can be a particularly tough one, as for those who stay, the brain drain is resulting in big pay rises and fast promotion opportunities which are unlikely to be found in Europe or North America. However, the decision to stay on for a few more years carries the risk of being left far behind in the queue for foreign passports as 1997 approaches.

Not everyone intends to get out, however. "Up to this moment I have no plans," said 27 year old Paula, a press officer, though she admits to being in a distinct minority among her friends. She would like to view the transition, but also feels that her career prospects would not be so good overseas. "Though they may be able to speak good grammatical English it is difficult for them to really integrate," she says of Chinese people trying to build a career in a foreign country.

Those interviewed in the personnel institute survey said that they chose to stay because of worries about job opportunities, and the possibility of racial discrimination overseas. Very few said that they had confidence in the future of Hong Kong. "I worry about the future," admitted Paula. "What I worry about is freedom of speech because I like to criticise. That's why I don't apply to Singapore."

But even in these two countries, which together with Australia take the lion's share of Hong Kong emigrants, the prospects are not all rosy, and some people are holding back on applying in order to get in a few more years experience or money making in Hong Kong. Once applications are accepted to the US or Canada, there is a deadline for taking up residency. "Even if you don't want to go you have to," said one would be emigrant, who added that a lot of people were not happy once they were there.

"This was also borne out by the personnel institute survey, with one third of those surveyed saying they were actually less happy in their new country of citizenship. But the surge of applications continues regardless. "There is a snowball effect. More and more of your friends have gone so it puts more pressure on you to go as well," says Sara Tang.

Christina Fu, who hopes to leave for the US next year, says that she gets telephone bills of HK$2,000 (£157,78) every month keeping in touch with her close friends, most of whom are now overseas. "I don't want to leave because I was born here and grew up here, but I need to think about my family," she said.

"My grandfather was a rich man on the mainland, but when my father was 14 he came across to Hong Kong without anything."

With memories like that passed down by the older generation, there seems to be little prospect of any respite in Hong Kong's scramble for passports.

The queue outside the US consulate in central Hong Kong for US documents shows no signs of diminishing

Points system for allocating passports

By Michael Cassell, Political Correspondent

THE terms of yesterday's British Nationality (Hong Kong) Bill will enable up to 50,000 heads of households and their families to secure British citizenship.

Targeted at people who play key roles in the running and prosperity of the colony, the scheme envisages four categories of people who will be eligible. They will be selected through use of a points system.

Those acquiring citizenship would be handled in two tranches, with nearly 90 per cent in the first tranche. The first passports could be issued early next year, depending on the progress of the bill through parliament.

The bill represents enabling legislation only and final details could be amended after Royal Assent. Even so, the bill lays down criteria to assist the government in its efforts to encourage those who might leave Hong Kong to remain.

The four categories are a general allocation for 36,200 people – around 70 per cent of the passports available – and sections for key entrepreneurs (500) members of the "disciplined services" (7,000) and "sensitive services" (6,300).

The general section will cover business and management, accounting, engineering, information services, medicine and science, law and education, with 60 per cent of places going to businessmen and administrators.

A proposed special secondment scheme, whereby selected company personnel would receive preferential treatment, is not included in the plan, although it may be considered at a later date.

Engineering professionals will take 10 per cent, with members of the medical professions accounting for another eight per cent. The information services will take six per cent, with accountants and auditors accounting for five per cent.

Together with members of the disciplined services, such as police and fire, those applying under the general allocation procedures will be "objectively assessed" on a points system. It will be based on a number of criteria, including age and experience, proficiency in English and British links.

The age factor will give the maximum 200 points to people aged between 30 and 40, with 150 points maximum added in categories covering education and training, experience and a range of special circumstances. Proficiency in English, British links and a record of community service will each add another 50 points.

The small number of key entrepreneurs, together with members of the sensitive services, such as some senior civil servants and police officers, will not be covered by the points system. Both categories will be invited to submit applications.

Once the Bill has been passed, possibly by the end of July although it could be as late as November, the necessary Orders would have to be put before the British parliament. It is expected that the processing of all applications could take up to two years from that date.

Commons row over junket allegations

MINISTERS were accused in the Commons yesterday of breaching Parliamentary conventions in trying to head off a revolt by Tory backbenchers against the Bill to confer British citizenship on up to 225,000 Hong Kong Chinese, Ivor Owen reports.

Mr Tony Marlow (Conservative, Northampton North), a leading opponent of the Bill, complained that Government whips were trying to influence the vote on the Bill by arranging for "plane loads" of Conservative backbenchers to visit Hong Kong.

He said they were being "wined and dined," and claimed that the House would be unable to ascertain if the travel and other arrangements were being financed from private sources until after the vote on the second reading of the Bill had taken place.

Mr Marlow maintained that the House should be told whether MPs speaking during the debate on the Bill or participating in the vote had participated in the visits.

Mr Bernard Weatherill, the Speaker, said he had no knowledge of the "serious matters" Mr Marlow was alleging, but he was sure that any MPs concerned who participated in the debate would declare any relevant interest. Mr Weatherill said: "May I say that wherever members go I hope they have a jolly good holiday."

Mr Harry Ewing (Labour, Falkirk East) called on Mr Tim Renton, the Government Chief Whip, to confirm or deny Mr Marlow's allegations. Mr Renton did not respond.

Muted welcome from HK

HONG KONG'S government and community leaders last night gave a muted welcome to the British passports announcement because they fear that outright condemnation of the package would only strengthen the hands of opponents in the British Parliament, John Elliott reports.

Basically they regard the package as totally inadequate. But the emphasis of the points system on the colony's younger elite professional, government and entrepreneurial groups is generous enough to earn some support from employers who hope it will help to stem the brain drain.

The UK has said that its allocation of places to 50,000 heads of household can involve up to 225,000 people being given passports and a right of abode in the UK. But the actual total could be far lower and Hong Kong has failed to persuade Britain to allow it to inject extra people into the scheme to bring the total up to 225,000 should there be a shortfall.

Mr Simon Murray, managing director of Hutchison Whampoa, and chairman of the Honour Hong Kong campaign, said that the number of passports should be "just enough to provide a basis on which to restore confidence."

Blueprint for stability may stir up rebellion

Michael Cassell on why the Home Office bill can expect a rough ride on its way to law

THE Government's blueprint for maintaining stability and confidence in Hong Kong by granting right of abode to 225,000 of the colony's citizens threatens to provoke angry rebellion at Westminster.

When the Home Office bill – setting out the criteria for selecting those the Government hopes will never need to come to Britain – is first debated in the Commons after Easter, there is no certainty it will win a majority. Even if it passes the first hurdle, it is expected to face a rough and unpredictable ride on its way to becoming law.

The plan originally put forward by Mr Douglas Hurd, the Foreign Secretary, to anchor key personnel in Hong Kong and prevent what he has described as the alarming "haemorrhage of talent" has again raised the explosive political issue of British nationality laws and the prospect of the biggest immigrant influx since the 1970s.

With elements of the Tory Party being accused of blatant racism in rejecting the plan and Labour charged with duplicity for not accepting clear obligations towards Hong Kong, the issue has split not only Government supporters but Labour as well.

The Opposition attacks Mr Hurd's plan as "elitist and discriminatory," while accepting universal rights of entry for millions are impossible.

However, it has not yet defined and proposed its own solution, and its internal ructions could yet help the legislation on its way.

Some Labour MPs support the principle of selective rights of entry, if not the government's points system approach.

Others who reject the Government's scheme have no wish to find themselves siding with the Tory right to defeat the plan. The Labour leadership has little time for such sensitivities, however. Once tactics have been finalised, it expects its MPs to fall in line to oppose the scheme.

Mr Roy Hattersley, the Shadow Home Secretary, who now takes over responsibility on the Labour benches for the bill, says he will oppose it as a matter of principle, irrespective of the danger of attracting Tory dissenters.

At the helm of the Tory attack against Mr Hurd's proposals, a carefully-balanced compromise aimed at weighing up acceptable levels of settlement in Britain while doing enough to restore confidence in Hong Kong, is Mr Norman Tebbit. The former party chairman, who is not afraid of a political fist-fight, claims the government can expect a very bloody nose.

Mr Tebbit, who has said that 80 or more backbenchers will join him in abstaining or voting against the Bill, believes the plan flies in the face of Tory pledges at the last four general elections that there will be no further, large-scale immigration.

He stands by his conviction that most people in Britain find themselves living in a multi-cultural, multi-racial society which they do not want and which has been foisted upon them. The issue, he says, is one which has encouraged traditional Labour voters to support the Conservatives and any change in approach over Hong Kong would drive them away.

He also attacks the logic of the Hurd plan, claiming that the granting of passports will only affirm Britain's lack of confidence in the treaty signed with China in 1984, triggering a large exodus of those Hong Kong Chinese who are not given right of abode. China, according to Tebbit supporters, will see the Government's plan only as a deliberate attempt to undermine, rather than shore up, the economic prosperity of Hong Kong.

The Government totally rejects the argument, emphasising that the Hong Kong plan will not undermine the principals of the British Nationality Act 1981 by opening the door to a fresh influx of immigrants.

Mr Hurd and his supporters also stress that the measures are not designed to encourage immigration, but are intended to persuade people to remain in Hong Kong.

In addition, they warn of the consequences of rejecting the proposals and triggering a further collapse of confidence in Hong Kong.

Neither are ministers and government whips convinced that, when the vote comes, Mr Tebbit will be able to achieve the "massive and unprecedented" rebellion which he promises. They point out that when he met Mrs Margaret Thatcher, the Prime Minister, to warn of her of potential rebellion, his supporters were not identified.

The expected centre-party and minor party support for the Bill, whatever their misgivings about fairness, should also help negate any significant Tory revolt and offer Mr David Waddington, the Home Secretary, and a reportedly reluctant convert to the plan, cause for confidence.

But even if the Government scores an early Commons victory, opponents will seek to delay the line-by-line committee stage scrutiny to such an extent that ministers will be forced to try to use the guillotine, in which case their normal majority could not be relied upon.

As one critic put it: "We may not win first time round, but we will fight this one all the way and try and talk it into oblivion."

Norman Tebbit: believes the passports plan flies in the face of successive Tory election pledges

The promulgation of the Basic Law ends five years of drafting, beset by growing controversy over democracy, **John Elliott reports**

China digs its heels in and offers little in the way of concessions

THE promulgation yesterday of Hong Kong's Basic Law ends five years of drafting which has aroused little public interest, although there has been increasing controversy over provisions for limited democratic development.

The law's function is to provide Hong Kong with a constitution after 1997 in line with the 1984 Sino-British Joint Declaration on the 1997 handover. This says that during the 50 years after 1997, Hong Kong will have a "high degree of autonomy, except in foreign and defence affairs," with its own "executive, legislative and independent judicial power."

Existing laws will remain "basically unchanged," as will "the current social and economic systems" and "the life-style."

In 1985 Peking set up a drafting committee, packed with its own officials but including selected people from Hong Kong. Neither the UK nor Hong Kong governments have been formally involved, although their advice has been listened to and the UK formally has a right to ensure that the 1984 joint declaration is not broken.

A first draft was produced in April 1988. China then made concessions on various issues in a second version published 10 months later, and was expected to concede considerably more in the final version.

But this was upset by last June's Tiananmen Square crisis, which led Hong Kong to demand more extensive changes, especially on democratic reforms. Peking responded by digging its heels in and, as a result, less has been granted than had been expected before last June.

The headline-grabbing concentration on democracy obscured a number of other important issues, such as judicial independence, and meant that China was able in yesterday's version to get away with fewer new concessions.

Throughout, China has resisted rapid democratic reforms in the early years after 1997 for election of the legislature and for the chief executive who will take over from the existing British governor. This is because it wants to be able to control decisions that will have to be taken in the first decade of the next century for the rest of the 50 years, which will in turn have an impact on how Hong Kong is run by China later.

Until now the UK has allowed little real democracy, and existing members of the legislative council are either indirectly elected or are appointed.

Direct elections will only begin next year when, under a controversial "convergence" agreement reached between the British and Chinese governments two months ago, 18 seats in the legislative council will be directly elected. This will go up to 20 in 1995 for a legislative council which will remain in being through the 1997 changeover till the next elections in 1999.

The Basic Law document promulgated yesterday is divided into nine main sections. The most important issues, around which controversy has raged at various stages of the drafting process, are:

● **The Legislature:** The 20 directly-elected seats inherited in 1997 from the 1995 elections will go up to 24 (40 per cent) in 1995 and 30 (50 per cent) in 2003. Any further advance from the 2007 election will need a two-thirds majority, plus consent of the chief executive.

Earlier plans have been dropped for a referendum on full universal franchise which is now only said to be "the ultimate aim," carring no guarantees.

The directly elected representatives' powers have been curtailed by introduction since last June of a two-tier voting system on members' amendments to government bills, and on members' own bills which also have to be cleared in advance with the chief executive if they relate to government policies.

● **The Chief Executive:** An 800-member election committee nominated by occupational and other groups will elect the chief executive for five year terms. Universal franchise is the "ultimate aim," but any changes in voting procedures after 2007 face tough hurdles – they will need approval of Peking's National People's Congress and the incumbent chief executive as well as a two-thirds majority in the legislature.

● **Foreign Passport Holders:** Following the announcement of the British passports' package, China wrote in that people with rights of abode abroad could not become the chief executive, a member of the executive council, the president of the legislative council, or become one of two top judges, or hold various top civil service posts.

It also decreed that only 20 per cent of the Legislative Council could have a right of abode abroad.

● **Laws and jurisdiction:** Peking's powers to impose laws on Hong Kong have been limited to a list of six issues such as the national anthem and nationality laws.

But Peking can apply "relevant" national laws in time of war or when "turmoil" amounts to a "state of emergency" and is "beyond the control of the government." This became controversial after Peking dubbed the Tiananmen Square demonstrations last June as "turmoil."

China has also added "subversion," plus political links with foreign organisations, to a list which must be outlawed by Hong Kong legislation. The list also includes treason, secession and sedition. Subversion was dropped in the second draft, but put back after Peking accused Hong Kong activists of trying to subvert its Communist regime.

Hong Kong also failed to persuade China to reduce the powers of the National Peoples' Congress, and to increase those of Hong Kong courts, on interpretation of the Basic Law. A court of final appeal is to be set up.

● **Human Rights:** Various basic freedoms are spelt out, as is continued application of international covenants on civil and political rights and on economic, social and cultural rights. (To strengthen the rights, the civil and political rights convention is being spelt out, and made justiciable, in a Bill of Rights now being drafted by the Hong Kong government.)

● **Economic issues:** The post-1997 government must "follow the principle of keeping expenditure within limits of revenues" and "strive to achieve a fiscal balance" and "avoid deficits." It is advised to follow a "low tax policy." A new point in the final draft also says the "currency must be backed by a 100 per cent reserve fund." All these points have been advocated by conservative Hong Kong businessmen to stop a future liberal legislature boosting special spending or raising taxes.

● **English language:** In addition to Chinese, "English may also be used as an official language."

HONG KONG: PROPOSALS FOR DIRECTLY ELECTED REPRESENTATIVES (*)

Election Date	1991	1995–97	1999	2003
SINO–BRITISH PLAN Feb 1990 (60 seats)	30%	33%	–	–
BASIC LAW PLAN March 1990	–	33%	40%	50%
BASIC LAW DRAFT Feb 1989	–	27%	38%	50%
Lobbyists' Proposals				
Council members' consensus	33⅓%	50%	66⅔%	100%
UK FOREIGN AFFAIRS CTTEE & HK liberal lobby	50%	100%	100%	100%

(*) Figures are percentages of the Legislature seats which would be elected by universal franchise. The remainder of the seat are for various mixes of indirect or sectional elections, plus appointed members and civil servants

Colony presses for amendments

By John Elliott in Hong Kong

HONG KONG'S legislative council yesterday called on China's National People's Congress to introduce radical amendments to the Basic Law – the colony's post-1997 constitution – before Hong Kong returns to Chinese sovereignty.

The vote – 20 to six – amounted to a rare display of opposition by the council. There were 16 abstentions, including all government officials on the council who could not be seen to be antagonising China.

Mr Martin Lee, the liberal lawyer who proposed the resolution, said the programme for democratic reform under the Basic Law should be speeded up in line with proposals put forward last year by the colony's executive and legislative councils.

This would introduce full universal franchise in 2003 instead of the 50 per cent under the Basic Law.

Mr Lee claimed that the Law was not in line with the 1984 Sino-British Joint Declaration, which pledges Hong Kong a "high degree of autonomy" for 50 years after 1997. He cited three offending clauses which deal with subversion and states of emergency, and which also give Peking considerable powers to change and interpret legislation, especially on human rights.

He said that there was nothing to prevent China amending the law before 1997 to bring it more into line with the Joint Declaration and he rejected the British government's view that it already conforms. Speakers who opposed Mr Lee said that his tactics would not help to build stability and prosperity in Hong Kong.

China has made it clear that it is not interested in amending the law and there are no signs that the UK intends to press it to do so. However, the passing of the resolution will help to ensure that the issue is kept in the public eye.

In Brief

Town halls may take tax case to Europe

LOCAL government councils in England and Wales that have had their budgets restricted by central government are contemplating legal action - including possible appeals to the European courts.

The Conservative Government has "capped" 20 councils which have set what it considers to be high community charge bills. The community charge, or poll tax, is the controversial local tax which has replaced the old property-based rating system.

None of the councils are Conservative controlled and the Labour opposition has complained that the "capping" exercise is a "political fix".

The poll tax bills have prompted widespread protests and a decline in the popularity of the Government.

Sources appeal rejected

THE HOUSE of Lords rejected the appeal by a journalist against a judge's order to hand over notes identifying his source of leaked confidential information and upheld the order requiring Mr Bill Goodwin, a journalist on The Engineer magazine, to surrender his notes of a telephone conversation in which he was told details of a company's plan for raising additional capital.

Iveco Ford action

MANUAL workers at Iveco Ford, the truck maker, have voted overwhelmingly in favour of taking industrial action against an improved offer worth 9.25 per cent in the first year of a two-year deal.

Tube pay claim

LONDON Underground unions submitted a claim for a "substantial" pay increase and a cut in working hours. Unions drew attention in their claim to the 10.2 per cent pay deal at Ford, a traditional competitor for labour.

Teaching strike

The schooling of about 2.6m children was affected yesterday by a one-day strike over pay and workloads, according to the second biggest teaching union, the NASUWT.

Acid rain plans cut by £800m ahead of sell-off

By Maurice Samuelson and David Thomas

THE ELECTRICITY industry was yesterday given the go-ahead to drop £800m of a planned £2bn programme to combat acid rain pollution from power stations.

The decision, which was immediately condemned by environmentalists, is designed to help the privatisation of National Power and PowerGen, the two electricity generators to be sold next year.

But it could bring Britain into renewed conflict with European countries over pollution, since sulphur dioxide emissions from British power stations are held to be responsible for acid rain pollution in continental Europe.

Mr John Wakeham, Energy Secretary, yesterday announced that National Power and PowerGen would spend £1.2bn to fit sulphur cleaning plant, known as flue gas desulphurisation (FGD) equipment, to 8,000MW of power stations.

Until recently, Ministers had been saying that this equipment would have to be fitted to 12,000MW of plant, costing about £2bn, to fulfil Britain's quota of reduced sulphur emissions under a European Community directive to combat acid rain.

Under the directive, Britain must cut its sulphur emissions by 40 per cent by 1998 and by 60 per cent by 2003, using 1980 as the base year.

Mr Wakeham told the National Economic Development Council that the generators would be able to meet the 1998 quota partly by switching to low sulphur fuels.

This will give an added impetus to the construction of gas-fired power stations, to imports of low sulphur coal and to a greater use of oil.

The Department of Energy had been keen to limit the FGD programme in order to reduce the investment commitments of the two generators before they are privatised.

The FGD decision is at the heart of a fierce debate between the Government and the Department of Energy about the capital structure to be given the electricity industry when it is privatised.

The generators believe that their initial debt should be reduced to reflect the £1.2bn FGD investment.

Mr Simon Roberts, energy campaigner for Friends of the Earth, said: "The Government is cutting costs to the electricity industry before privatisation when it should be cutting acid emissions to the environment as it promised."

Era shareholders agree to sell furniture subsidiary

By Nikki Tait

A SHAREHOLDERS' meeting at Era Group, the troubled specialist retailer which takes in the Beatties hobbies chain, ended yesterday with news that two executive directors are to resign and three non-executives will be appointed to the board.

After more than two and a half hours ferocious debate, however, the vituperative shareholders finally approved the sale of Era's loss-making Lexterten furniture subsidiary to its management – the motion they had been called to consider.

This means that the company's new bank facilities, arranged with Barclays Bank, become available – although the meeting was also told that a recapitalisation of the company will be necessary at some stage.

The most dramatic intervention came when Mr Tony Butler, the former Dee Corporation director who has subsequently built up his own quoted Ashley Group, revealed that he had been approached recently by Era's advisers. They had invited a bid for the entire group.

Plans unveiled for toll roads financed buy the private sector

By Andrew Taylor, Construction Correspondent

GOVERNMENT proposals for six new privately financed toll roads and river crossings, including new crossings for the rivers Thames, Tamar and Mersey, were unveiled yesterday by Mr Cecil Parkinson, Transport Secretary.

Mr Parkinson announced separately that an Anglo French consortium of John Laing and GTM Entrepose, the French engineering group, are to build a £270m privately financed Severn Bridge as well as taking over the existing toll bridge across the Severn.

Private sector companies have been asked to prepare preliminary proposals for six routes, which include a motorway link between the M1 and A1 at Scratchwood in north London as well as separate toll roads linking the M25 orbital motorway around London and Chelmsford and Rayleigh in Essex.

The new toll crossing proposed for the River Thames would be expected to run east of the M25. The new Mersey crossing would be expected to link with Liverpool airport. The six schemes based on previous private sector projects could cost more than £500m.

Mr Parkinson in addition has asked three groups bidding to build a privately financed road scheme for a Birmingham northern relief road to submit tenders by October 3. A winning bid is expected to be announced early next year.

He also requested preliminary bids for a privately financed motorway between Birmingham and Manchester. The cost of the two projects, both of which were announced last year, have been estimated at up to £700m by Mr Paul Channon the former Transport Secretary.

The three consortia shortlisted for the Birmingham Relief Road are: a joint venture between Tarmac and Balfour Beatty, the British construction groups; a separate joint venture of Trafalgar House and Sir Robert McAlpine of Britain and Italstat an Italian toll road group and a consortium led by Manufacturers Hanover the the US bank and Cofiroute a French toll road company.

The presence of Italian and French companies within the bidding groups reflects the desire of Continental companies, to break into a growing market for private infrastructure projects in the UK.

GTM Entrepose is expected to provide the design for the new cable-stay Severn bridge, which will have a 456 metre main span. The plan has received strong support from French financial institutions including Credit Agricole.

Trafalgar House and BICC the British engineering group which had proposed a rival scheme for the Severn Bridge said it was disappointed not to have won the competition. Its plans would have involved lower tolls than the 40 per cent increase to £1.40 from 1995 proposed by John Laing and GTM Entrepose.

Mr Parkinson also proposed a series of new initatives to encourage promoters to come forward with plans for privately financed toll roads.

Pay rises 'threatened' by poor economic and trade performance

By Rachel Johnson

MR Norman Willis, general secretary of the Trade Union Congress, said yesterday that wage negotiators were delaying the settlement of pay claims because they were worried that inflation would outstrip pay awards and stoke up labour costs.

Mr Willis said he was "gloomy about wages" at a meeting of the National Economic Development Council (NEDC) in which the Government also expressed deep concern about the UK's poor trade performance, dwindling productivity rate and rising unit labour costs.

At the meeting, chaired by Mr Nicholas Ridley, the trade and industry secretary, Mr Willis said there was a "tendency to extend negotiations" in case the next set of statistics brought worse economic news.

Mr Nicholas Ridley said unit labour costs in the UK were "going up faster than all our competitors".

Mr John Banham, director general of the Confederation of British Industry, said that it was clearly unacceptable that wages should increase faster than economic performance.

While there was unanimous approval for the UK's improved export performance – exports have grown by by an annual rate of more than 10 per cent, imports by only 1 per cent – the improvement – was acknowledged to be from a low starting point.

● The UK Government should persuade Japanese electronics companies manufacturing in Britain to set up local research and design activities, Mr Silvan Robinson, chairman of the NEDC's Electronics Industry Sector Group, added.

He said that largely as a result of foreign investment, electronics production in the UK had grown faster than consumption between 1984 and 1988, whereas consumption growth had exceeded the rise in production in the US, Japan, France and Italy.

GUINNESS TRIAL

Bain of US saw tension between Roux and Saunders

By Raymond Hughes, Law Courts Correspondent

FORMER directors of Bain & Co, the US management consultants who worked with Guinness during the 1986 takeover battle for Distillers, yesterday spoke at the Guinness trial of the "difficult" and "tense" relationship between a Bain colleague, Mr Olivier Roux, who had also been Guinness's director of finance, and Mr Ernest Saunders, then Guinness's chief executive.

Mr John Theroux, formerly responsible for Bain's European operations, said that both during and before the Distillers bid Mr Roux had "fairly consistently" expressed anxiety about his "tense" relationship with Mr Saunders.

In March 1986, said Mr Theroux, Mr Saunders had told him that Mr Roux had become "very difficult to work with, very touchy" on an issue connected with raising the bid. He had asked Mr Theroux to tell Mr Roux to "calm down".

Mr Theroux had told Mr Roux that he must not let any animosity between himself and Mr Saunders get in the way of his professional judgment.

"People were tired and tempers were frayed," Mr Theroux said. He said Mr Saunders had asked him to speak to people about buying Guinness shares. It had been a very unusual request, though not inappropriate. He had done nothing about it. He said Mr Roux had explained to him that share support was normal and proper but that offering guarantees against loss would be wrong. Mr Roux had said he was not aware of Mr Saunders having made any such offers and that no such offers had been made.

Mr David Hoare, a former vice-president of Bain (UK) and now a director of Talisman Management, for which Mr Roux works as an adviser, said that in December 1986, Mr Saunders had asked him to try and persuade Mr Roux to co-operate more in dealing with the Department of Trade and Industry investigation of Guinness that had started on December 1.

There had clearly been differences of opinion between Mr Saunders and Mr Roux, notably on the issue of which solicitors should represent Guinness in the investigation, Mr Hoare said.

Mr Richard Ferguson, QC, for Mr Saunders, asked if Mr Hoare had ever told Mr Saunders that: "Bain would kill to get the results they desired – not literally, of course, but in the sense that they were prepared to go to virtually any length to achieve their objectives."

Mr Hoare said he believed he had told Mr Saunders that Bain had a different approach to its competitors in the extent of its singleminded involvement with a client. He agreed that Guinness had been an extremely important client for Bain.

Mr Hoare agreed that the relationship between Mr Saunders and Mr Roux had sometimes been difficult and Mr Saunders had on occasions been unhappy about the way Mr Roux had been doing his job.

Had Mr Saunders complained about lack of communication by Mr Roux on financial matters?, Mr Ferguson asked.

Mr Hoare said that had not been his understanding of Mr Saunders' complaint. The two men's work styles had been different, he said. Mr Saunders was a man who would leave no stone unturned. Mr Roux believed in dealing thoroughly with the most critical issues. Also Mr Saunders had felt that Mr Roux was not prepared to make a large enough time-commitment.

Mr Mark Daniell, another former Bain (UK) vice-president, agreed with Mr Ferguson that Mr Saunders had not been familiar with the way the financial markets operated.

"If he required any financial information or advice he would turn to Mr Roux ?" suggested Mr Ferguson.

Or to other people, Mr Daniell replied.

But primarily to Mr Roux ? Mr Ferguson suggested.

Mr Roux had been a close confidante of Mr Saunders on financial matters, Mr Daniell said.

Mr Saunders, Mr Gerald Ronson, Heron group chairman, Mr Anthony Parnes, a City stockbroker, and Sir Jack Lyons, the millionaire financier, deny charges arising from an allegedly unlawful share support operation mounted by Guinness during the Distillers bid.

The trial continues today.

Growth signal for British manufacturing

By Peter Marsh

BRITAIN'S £25bn-a-year chemicals industry, one of the country's strongest production sectors, is set to continue its investment growth in 1990 with capital spending due to rise 9 per cent in real terms from last year.

This forecast, made yesterday by the UK Chemical Industries Association, is in effect a vote of confidence in manufacturing generally as most of the output of the chemicals business is bought by other production sectors.

The predicted growth in investment by the chemicals business, which is forecast to rise to £2.39bn this year from £2.05bn in 1990, is linked as much to the likelihood of extra demand overseas as to prospects within the UK.

The UK chemicals sector is a large exporter and is one of the few areas of manufacturing to have a balance of payments surplus, which last year reached £1.7bn.

Many in the chemicals business, while accepting that market conditions may be relatively difficult in the 1990-93 period, are looking for a general upturn in the sector in the mid to late 1990s. That, in turn, reflects good prospects for chemicals in many regions outside the world's main industrial blocs, in the Far East and eastern Europe for instance.

US group seeks textile takeover in west Belfast

By Our Belfast Correspondent

LUMMUS Industries, the leading US textile manufacturer, was yesterday named as the company involved in the takeover of one of Northern Ireland's oldest engineering firms, as part of a major economic regeneration initiative for north and west Belfast.

The multi-million pound plan announced by the Government depends on James Mackie and Sons, employing 950 people in west Belfast in the manufacture of textile machinery, being successfully taken over by the Georgia-based company.

Lummus, Mackie's trustees and the Government have agreed agreement in principle for the US company to take over Mackies and renovate the business on a more efficient west Belfast site.

The Industrial Development Board and Lummus have also reached agreement on a £20m package of financial assistance to modernise and re-equip new premises.

Lummus is involved mainly in the manufacture of cotton ginning and related textile machinery for the man-made fibre industry, with significant exports outside the US. Its products are complementary to Mackie's product range.

The plan has yet to be put to the Mackie workforce but approval is almost certain to be forthcoming.

When the sale is completed it will vacate Mackie's existing factory to form the lynchpin of an economic regeneration programme in west Belfast to be known as Springvale.

A total of 130 acres have been earmarked for redevelopment in an area regarded as one of the unemployment blackspots of western Europe.

The Government's economic strategy in Northern Ireland focuses sharply on areas of high social deprivation and Mr Richard Needham, the province's Economy Minister, said Springvale represented the largest urban regeneration opportunity in Belfast.

Mr Needham said he envisaged £30m being spent on providing the infrastructure for the scheme with job creation projects given top priority.

Funding will be a joint venture between the private and public sectors and there will be local consultation.

CBS president warns against freedom 'fantasy' on TV

THE HEAD of a US television network last night warned against the "freedom fantasy" that free market utopians promised for British television, writes Raymond Snoddy.

Mr Howard Stringer, president of CBS broadcasting, said that in the emerging British television market place the blessings of "freedom" would accrue primarily "to those with the deepest pockets, the biggest market place clout, the fiercest lawyers and the fewest moral and artistic scruples".

Supporters of market place freedom such as Mr Rupert Murdoch, the Australian owner of Sky – the UK satellite TV station – claimed the competition would unleash new vistas for the human imagination.

The British-born Mr Stringer told the Royal Television Society in the annual Fleming Memorial Lecture that while he admired Mr Murdoch's business acumen he was sceptical of a man "who if he had been born 500 years ago might have happily used Gutenberg's invention to publish celebrity gossip and pictures of half-clothed women".

The explosion of choice on American television had made it more costly for television companies to take risks and experiment and had produced a generation of dissatisfied viewers who zapped their way through channels never watching anything from start to finish.

The debate over quality in the UK was not some parlour room linguistic squabble.

"It is a landmark political confrontation over the very character of British television and in that sense it is a debate about the future of British culture," said Mr Stringer, whose network is struggling in third place in the US ratings at the moment.

The challenge now facing British television was to find a stable middle ground between regulated duopoly and a wholly unfettered free market place.

To cope with the coming influx of foreign competition Britain had to keep to its own agenda and tap into new ideas and new export markets through judicious partnerships and co-ventures.

Villagers change channel to multiple choice viewing

By Raymond Snoddy

MULTI-CHANNEL television choice has descended suddenly on Waddington, in north-west England, a Lancashire village where the main intrusion of the modern world comes from lorries from a nearby quarry.

Between £2m and £3m worth of prototype television systems have been moved into the village.

In a field at the end of the village, a special transmitter broadcasts WVTV, Waddington's own community television channel which can be received over a radius of four miles.

With the help of British Telecom, one group of villagers are also receiving five channels of microwave television.

Cables laid in the stream that runs through the centre of Waddington bring 30 channels of cable television to a second group of villagers – everything from Sky and BSB to the French TV 5 and channels from West Germany, Switzerland and Austria.

Some others have their homes fitted with satellite dishes and this weekend one home will get a prototype high-definition television system – the new, sharper television sets of the future.

"We are interested to discover how the sudden impact of multi-choice TV will effect people's viewing habits, maybe even the way they organise their lives," said Ms Luise Nandy, of Granada Television, the editor of a six-part series, The Television Village, on the experiment which will be shown on Channel 4.

The Granada experiment has the support of everyone from the IBA and the Cable Authority to the Home Office, Department of Trade and Industry and the European Community.

It is the most extensive experiment on all the competing systems of new television ever conducted in the UK.

Technicians are monitoring all viewing in the 55 homes involved and the data is being logged by computer.

The village channel, broadcast from the church hall, which can be seen by everyone, is the resounding hit of the experiment so far, with about 95 per cent of the village giving up Coronation Street to tune into their own nightly hour-long programme.

The programme includes the vicar, the Rev Alan Bailey, with his thoughts of the day, the local Brownies and a panel of local 14-year-olds interviewing Mr David Waddington, the Home Secretary, who not only shares the same name as the village but is the local MP.

All the problems and decisions that come up on a real television station quickly surfaced at WVTV.

"There have been political battles, rows between producers and presenters and arguments about advertising and budgetary problems," said Ms Nandy. In the end, the villagers opted for both advertising and sponsorship and has so far raised £905, which will go towards refurbishing the village hall.

A distinctive pattern is already starting to emerge on what local people make of multi-channel choice.

"After an initial period of zapping, they have been selecting channels they want to watch," said Mr Peter Bate, producer of the series. Young people have chosen MTV, the pop music channel, the movie channels have been popular, as has been the sports channels.

But Mr Leslie Robarts, a former headmaster, said he had been disappointed by what was on offer. When forced to make choices he said he had ended up watching less television.

Mr Eric Edmondson, chairman of the parish council, said of the experiment: "It's opened avenues up for people in the village they didn't know about"

Mr Marie Brown, whose son and daughter are both volunteer presenters on the village channel, said she did not plan to get satellite television when the experiment ended on April 21.

It will end with a bang – a live, exclusive debate between Mr Waddington and the villagers on WVTV. Then, all but the three villagers who already have satellite TV will return to a four-channel system.

European merger policy dispute over £330m bid

By Charles Leadbeater, Industrial Editor

BRITISH STEEL was yesterday given clearance by the UK Monopolies and Mergers Commission's to go ahead with its £330m bid for C Walker & Sons, the largest independent stockholder, but only after a legal dispute over whether the UK authorities had jurisdiction over the deal.

The legal dispute is a sign of growing criticism among large companies about the way that UK and European merger policies overlap.

The MMC's report discloses that it was only able to conduct its inquiry after beating off a strong challenge from British Steel which questioned the commissions right to inquire into the deal.

The MMC was only able to proceed after taking advice from the European Commission and a leading counsel.

British Steel argued that the merger should only be considered by the European Commission, under the 1952 Treaty of Paris, which set up the European Coal and Steel Community. The EC is close to making a decision on the deal, which should be closely followed by a ruling from the Republic of Ireland which is looking into it because of C Walker & Sons' activities there.

It comes as British Airways is opposing the referral to the MMC of its proposed deal with Sabena, the Belgian carrier and KLM, the Dutch airline. British Airways has argued that as the deal to set up a Sabena World Airlines as a joint airline operating from Brussels is being examined by the European Commission the MMC should not inquire into it as well.

The MMC only looked into competition in about 30 per cent of the product ranges involved in the British Steel bid. The remaining product areas are being covered by the European Commission.

Although the takeover would give British Steel a 34 per cent share of the UK steel stockholder market it would create significant barriers to competition, the MMC said.

The deal will create a more vertically integrated industry as British Steel will become the largest stockholder as well as the largest producer. However its dominance of the market would be far lower than its continental European counterparts. In France and West Germany more than 80 per cent of the stockolder market is controlled by steel manufacturers.

Treasurer in 'difficulty' over SIB

By Sue Stuart

IT WOULD have been difficult for the Isle of Man Treasurer to co-operate with inspectors investigating the collapse of the Savings and Investment Bank because bank creditors were pursuing a claim against him personally, a Manx court heard yesterday.

Mr Michael Corkery, QC, for the Crown, was replying to points raised by defence counsels who seek to have the trial stopped for reasons of delay of eight former directors, officials and agents of the bank. Savings and Investment Bank collapsed on the Isle of Man in 1982 with debts of £42m and around 3,000 creditors, many of whom were small depositors who lost their life savings.

Mr Corkery said that in a letter to the inspectors, Herbert Smith & Co, the Manx government's insurers' solicitors, stated that Mr William Dawson, the Manx Treasurer, faced a claim in his personal capacity by depositors of the bank of £322,000, plus interest.

Herbert Smith & Co said in the letter that this caused a difficulty for Mr Dawson with regard to giving information to the inspectors, as the matters discussed and views formed could prejudice the civil action that was being pursued.

Mr Corkery told the court that Mr Peter Duncan, former commercial relations officer in the Treasury, had not been instructed by the government not to co-operate with the inspectors. In a letter from Mr William Cain, QC, the island's Attorney-General, to the inspectors in June, 1984, Mr Cain said Mr Duncan was mistaken if he thought the government had instructed him not to co-operate, said Mr Corkery.

Mr Corkery continues his reply today

Waterford workers opt for strike

By Kieran Cooke in Dublin

MORE THAN 2,000 workers employed in the crystal division of the Waterford Wedgwood group in Ireland have voted to strike over a management decision to withdraw special bonus payments to a section of the workforce.

The crystal division at Waterford, 60 miles south of Dublin, is one of Ireland's largest manufacturing employers. The bonus or "bonanza" payments at the centre of the present dispute have traditionally been made to compensate more than 500 piece-rate workers at Waterford for wages lost due to public holidays.

The management says the payments meant that in some cases workers were doubling their weekly wages, costing the group a total of more than I£750,000 (£727,000) per year. Such "an outrageous anomaly" could not be allowed to continue said management, particularly at a time when the Waterford Wedgwood group faced severe difficulties.

The Waterford Wedgwood group had a pre-tax loss last year of I£20.6m and had accumulated debts of I£125m. Wedgwood, the Staffordshire-based makers of high quality chinaware, was taken over by Waterford in 1986 at a cost of I£260m.

Since then it has seen its profits eaten eroded up by increasing losses at Waterford.

A consortium led by Mr Tony O'Reilly, the Irish American businessman and chief executive of the Heinz group, recently took a 30 per cent stake in the Waterford Wedgwood group, pledging to finally establish the company on "a sound financial footing."

The consortium also includes Morgan Stanley, the US merchant bank.

MANAGEMENT: Marketing and Advertising

Malt whisky

Men of Tain advance on the Border

Andrew Bolger on a campaign starring Glenmorangie's workers

Glenmorangie, the best-selling single malt whisky in Scotland, is about to double its production capacity for the second time in 14 years.

This investment partly reflects the success of a distinctive and award-winning advertising campaign, which has focused not just on the product but the people who make it – the 16 men of Tain, a small town on the shores of the Dornoch Firth in Ross-shire.

Glenmorangie is matured for 10 years after distillation, so this summer's addition of four new stills amounts to a statement of faith in the long-term demand for malt whisky. Such perspectives are inevitable with a product which has been produced legally since 1843.

Remarkably, it has only been heavily advertised and marketed since 1983. The reason is simple: until then, demand outstripped limited supplies. In common with all other single malt producers, Glenmorangie sold most of its output to add class to blended whiskies.

Change came in the mid-1970s with a strategic decision by the owners of Glenmorangie, the independent distillers Macdonald Martin. Neil McKerrow, managing director, says the company decided that the future lay in marketing Glenmorangie as a premium global brand. It doubled to four the number of stills at Tain, stopped supplying the malt to blenders and started to buy back stocks already sold to other producers.

By early 1983, Glenmorangie had bought back sufficient stocks to be able to start seriously promoting the brand. It approached Alasdair Ritchie, a partner in the London agency Holmes, Knight Ritchie.

Ritchie says: "They wanted a unique campaign, aimed at A/B men, mainly professionals or working in fields such as the City or journalism. They were international travellers, and much better educated than average."

On visiting Tain, which lies 40 miles north of Inverness, Ritchie was struck by two things: the size of the copper whisky stills and how few people were involved in making Glenmorangie – "the place seemed to be deserted."

The first advertisements in the press campaign appeared in 1983, featuring the swan-necked copper stills which, at nearly 17ft, are the tallest in the Highlands – providing the slogan that Glenmorangie was "A little nearer heaven than other malt whiskies."

Although containing serious information about Glenmorangie's production, the tone of the early ads was tongue-in-cheek. Some featured famous Scottish bridges with holes cut in them to accommodate the passage of the stills, and sightings of the Loch Ness Monster were explained as the periodic resurfacing of stills which sank in the loch while en route for Tain.

Ritchie says: "Consumer research was split – half loved it and thought the ads absolutely right. The rest were not so sure – particularly in Scotland. They thought the campaign too refined, too much preaching to the converted."

Ritchie concluded: "We wanted an idea with wider appeal, as malt whisky sales began to gather steam."

He therefore returned to his earlier observation – that Glenmorangie was produced by just 16 men, working in shifts. Before Christmas 1984, the agency produced an ad with the slogan "Every work of art should be signed by the artist." It carried the names, job description and signatures of all 16, from distillery manager to tractorman.

Reaction was immediate, with people telephoning and writing to the distillery, asking if the people named really existed and if it was true that so few were responsible for all of Glenmorangie's production.

Sensing that the agency was on to something, Ritchie commissioned numbered woodcuts of the workforce, each ad describing the person and his contribution to Glenmorangie. These proved even more popular and hundreds of Glenmorangie drinkers wrote in, asking for copies. Eventually prints were produced and sold for £1.50 to cover postage. Ritchie enthuses: "Serious grown men like to put them up on the walls of their study."

So what do the "Sixteen Men of Tain" make of all this attention? Ian McGregor, manager at Glenmorangie, says: "We quite like it. It has certainly increased local interest in the distillery, which used to be rather taken for granted."

The willingness of the workforce to promote the brand was demonstrated again in 1986, when Sir Michael Hordern was recruited to star in a promotional film for Glenmorangie. A pastiche of Brideshead Revisited, the £65,000 project needed just two professionals – Sir Michael and the actor who played his younger self. All the other parts were taken by Glenmorangie staff and citizens of Tain in period costume.

Not that relying on real-life people is without risks. Ritchie recalls one young worker who was about to be featured in a woodcut: "We had prepared the ad, at huge cost in both agency and advertising terms, and the guy ups and leaves to work on an oil rig."

The campaign itself has suffered from the occasional wobble. Consumer research was commissioned into the way the campaign was viewed by younger drinkers, who – as they tend to consume more – are an attractive target audience. The agency was rather perturbed to find that although younger drinkers liked the ads, some doubted whether the men portrayed in the woodcuts actually existed.

Poster sites around the country therefore started to carry large colour photographs of the distillery and the forest spring from which Glenmorangie draws its water. The reaction of young sceptics to this photographic evidence is unknown, but there was an immediate howl of protest from Glenmorangie's traditional customers, who demanded to know why their personal brand was being pushed in such an obvious and to them garish manner.

The sales effort involves promoting a strong image of the Scottish Highlands. This can be a sensitive business, though. Some Scots were upset by a recent series of TV ads for the British Midland airline by the Scottish agency Baillie Marshall which ridiculed the use of haggis, kilts and heather to sell Scottish products.

The Glenmorangie campaign has largely avoided such pitfalls, although the woodcuts certainly project an Arcadian and rather mythologised image of Tain, which has seen its local economy go through boom and bust in parallel with nearby oil rig construction.

The company is, however, aware of changing attitudes, both in Scotland and the wider world, and the Loch Ness Monster is unlikely to raise its head in future ads.

There is certainly nothing bogus about the image of tradition and continuity which Glenmorangie currently embodies. McGregor will shortly retire as manager of the distillery after 43 years in Tain. He was introduced to Macdonald Martin by his father, who joined the distillers as a 13-year-old office boy and retired 69 years later as director and company secretary.

There is, however, a feeling that an era is coming to an end with McGregor's imminent retirement and this summer's expansion.

The brand has come a long way very quickly, with annual spending on advertising having grown from £280,000 to £1.5m since 1983. It has maintained its share of the growing UK market for malt whisky at just under 15 per cent, and seen its share of the world malt market grow from 5 to 6 per cent between 1988 and 1989.

Maintaining the integrity of both the reality and the image of Glenmorangie while selling it to a more global market is the main challenge facing the company as it gears up for the next period of expansion.

Emphasis on the purity and integrity of Glenmorangie has certainly focused Macdonald Martin's attention on the local environment. It has bought hundreds of acres around the distillery (above) to protect and preserve its forest spring water. When Nirex, the nuclear waste disposal executive, included Ross-shire among possible sites for the storage of nuclear waste, Macdonald Martin contributed cash to the local protest campaign. Identification with the local environment has also yielded good opportunities for sponsorship. Glenmorangie supports a study of bottle-nosed dolphins in the Moray Firth and may back a project to monitor the health of the large beds of mussels which lie a few hundred yards from the seashore distillery.

The over-50s

Maturity – a 'grey' area

David Churchill on the up-dating of stereotyped thinking

How to target the over-50s is one of the most researched, talked-about, but least understood marketing conundrums facing companies in a wide range of consumer products and services in the 1990s.

The demographics of the UK population mean that "grey" power will increasingly come to dominate marketers' thinking in the years ahead; by the middle of the decade there will be more consumers over 50 than under 30 in the UK population and the gap will widen considerably by the end of the century and beyond.

Many marketers still oversimplify their approach. "They tend to treat all elderly people as one homogeneous market," points out Graham Staplehurst of Research International, a subsidiary of the WPP Group. "The thinking that enables them to tackle other established markets with some sophistication seems missing when dealing with over-50s."

Staplehurst is the director of a new division of Research International – appropriately called the Fiftysomething Project – aimed specifically at the over-50s. "We felt that while there is increasing research into this segment, it clearly needs better interpretation so that companies can plan their marketing strategies accordingly," he says.

Staplehurst and his colleagues have already faulted some marketing strategies. For example, their initial research, revealed at a seminar in London last week, shows that over-50s do not want "lifestyle" shops specifically targeted at them. Instead they seek shops projecting the traditional virtues of quality and value in both the design and the merchandise on sale.

Similarly, the research suggests that too many advertisements are perceived by the over-50s as being patronising, stereotyped, and out of tune with the aspirations of the consumer. A Yellow Pages television commercial featuring an elderly man searching for a particular book was particularly disliked; a mature woman, apparently widowed, standing alone on the deck of a cruise liner in a commercial for a life assurance company was also criticised.

At the same time, however, the over-50s like being portrayed by younger people who dress up to look older; the British Telecom commercials featuring Maureen Lipman as Beattie were well received.

"The image people have of the elderly is about 20 years out of date," Staplehurst believes. "Marketing is dominated by young people whose idea of the over-50s is based, perhaps unconsciously, on elderly people being almost infirm and doddery."

Their mistake, he says, is to ignore the fact that the present generation of over-50s is a by-product of the Welfare State and rising standards of living. "They therefore tend to be healthier and more active in their leisure pursuits and the way they see themselves," he explains.

The other marketing mistake, Staplehurst suggests, is to ignore the experiences shared by the over-50s which shape their attitudes. "Marketers need to sort out what aspects of the over-50s' needs and aspirations are simply due to age and what are the consequences of the events they have lived through," he says.

For instance, the over-50s believe that they missed out on the sexual liberation of the 1960s, so they dislike salacious or overtly sexy advertising.

Moreover, in spite of their general affluence, the over-50s are apparently turned off by profligate marketing, such as some commercials for luxury cars.

Staplehurst believes that the Fiftysomething Project is just the start. "We in marketing are still learning about this market and how to tap its potential," he says. "We need to get companies thinking about not just how to reach the present generation of over-50s but also how to tune their strategies at consumers now in their 30s and 40s who will form the next generation of 'grey' consumers."

Market Research Turnover 1989

Company	1989 (£000s)	% change over 1988
AGB	44,906	+22.8
Nielsen Marketing Research	30,580	+16.8
Taylor Nelson/MAS Group	17,031	+3.8
Millward Brown	16,728	+25.6
Research International UK	16,156	-5.1
MRB Group	15,676	+33.0
MIL Research Group	15,200	+21.6
NOP Group	14,809	+10.2
MORI	8,523	+58.4
The Research Business Group	8,452	+20.4
Research Services	7,619	+2.3
The Harris Research Centre	5,740	+20.7
The MBL Group	5,301	+11.9
Social Surveys (Gallup Poll)	4,261	+28.6
Gordon Simmons Research Group	4,111	+1.2
Burke Marketing	3,649	+16.2
Martin Hamblin Research	3,549	+21.3
FDS Market Research Group	3,475	+46.1
Public Attitude Surveys (PAS)	3,233	+7.5
Research and Auditing Services	3,043	+15.6
Communication Research	1,822	-18.4
Independent Research Bureau	1,710	+15.9
IFF Research	1,500	-9.1
Cooper Research and Marketing	1,495	0
TOTAL	236,582	+18.2

Association of Market Survey Organisations

This is a corrected version of the table on Market Research Turnover for 1989 which appeared in the Market Research survey on March 30.

BUSINESS LAW

Paying the penalty for making VAT errors

By Dominic Taylor

The new VAT penalty and interest charges introduced on April 1 will be levied on virtually all errors which are discovered by Customs and Excise or which are required to be disclosed to them. There is no power to mitigate the amount of the charges to take account of individual circumstances.

This last stage of the VAT penalty regime introduced by the 1985 Finance Act will consist of a penalty for a "serious misdeclaration" of the amount of tax payable on a VAT return and an interest charge broadly imposed on all errors over £1000.

It is possible for a taxpayer to plead against the imposition of the whole of the serious misdeclaration penalty that he had a reasonable excuse for the error but the scope for such a plea is severely limited.

VAT tribunals have frequently lamented this limitation and their inability to mitigate when considering appeals against other Finance Act 1985 penalties in cases where the full application of the law is clearly unfair.

The legislation specifically excludes both inability to pay or reliance on poor advice as being reasonable excuses.

But, while Customs has always contended that VAT is a self-assessed tax and ignorance of the law should not be an excuse for errors, it has proved to be anything but the "simple tax" envisaged by Mr Anthony Barber in 1972.

The VAT legislation on property and construction matters introduced in the 1989 Finance Act has proved to be a headache not only for the legislators but also for Customs and Excise which is still wrestling with the unforeseen effects of that legislation when applied in practice.

VAT intrudes into almost every business transaction and, since the tax is levied at the time of the transaction, it is difficult to rectify mistakes even with the benefit of hindsight. It must be questioned whether automatic penalties of the type found in the 1985 Finance Act are entirely appropriate to a tax which is both so broadly based and so increasingly complex in its application and effects.

At the time of the 1985 Finance Act there was no doubt that the collection of VAT in the UK was falling into disarray. Some 80 per cent of VAT returns were being made late and, in the absence of any penalties other than for fraud, there was little incentive for businesses to ensure the accuracy of their returns.

All that has changed, with the introduction of the civil penalty regime recommended by the Keith Committee, including the now infamous default surcharge for late returns.

However, the additional burden on businesses of the new penalties should not be underestimated, nor should Customs and Excise be allowed to justify the use of a blunt weapon on the grounds of administrative expediency.

The current use of automatic penalties by Customs ignores many of the real difficulties in conducting business today.

Customs argues that strict penalties are impartial in their effect, whereas a system which allows mitigation, at the discretion of the department or an independent judicial body, would not be so reliable.

In fact, the way in which the penalties actually work is neither straightforward nor fair.

The new penalty is triggered when an error in declaring the amount of VAT for payment on a return exceeds a certain percentage of the "true" amount payable. The amount of tax payable by a business depends on the relationship between taxable costs and taxable sales.

Two businesses with similar turnover can therefore have very different tax profiles.

In the service sector, tax payments are generally large because most costs are non-taxable salaries but all sales carry tax at 15 per cent standard rate. In a manufacturing business with a high percentage of zero-rated export sales, tax payments can be quite small relative to turnover because goods purchased by the business carry VAT but export sales do not.

On simple arithmetic, an export manufacturer is therefore more likely to incur a penalty for making errors than is a service company with the same turnover because an error of the same size made by either company will form a greater percentage of the smaller tax payment made by the manufacturer.

Until the 1985 Finance Act there was only a system of criminal penalties for VAT.

The commissioners were required to take steps to prosecute the offender in order to obtain a penalty in addition to the arrears of tax, although they were able in certain cases under the Customs and Excise Management Act powers, to "compound" the penalty and tax in a settlement before court action had been initiated.

The implementation of the civil system of penalties began immediately upon royal assent to the Finance Act 1985 with a standard charge of 30 per cent of tax payable for late VAT registrations.

A civil penalty substitute for criminal proceedings where tax had been evaded by conduct involving dishonesty, together with some penalties of less impact for other breaches of regulations were also introduced.

In 1986 these were followed by the default surcharges which automatically attach to the tax declared payable on a VAT return if the taxpayer has regularly failed to make the return promptly by the due date. This penalty, which increases from 5 per cent to 30 per cent according to the history of default by the taxpayer, has so far been the most widespread in its effect.

The method of applying these penalties is automatic in that there is no scope for mitigation of the amount and very little discretion given to the VAT tribunals or the courts to grant an appeal against a penalty.

The new penalty – 30 per cent of the tax under-declared – will not be charged where the mistake has been voluntarily disclosed to Customs.

The interest charge will be levied on all qualifying errors and those errors are required to be notified to Customs and Excise for that purpose.

There is also a penalty for "persistent misdeclaration" which is to be levied for continued errors permitted after a letter of warning has been issued to the taxpayer by the commissioners.

Despite the delay in implementation and considerable criticism of the draconian effect of the Finance Act 1985 measures already in force, these penalty and interest charges for errors on VAT returns have lost none of their severity.

For some businesses they could be the last straw in what is already an oppressive financial burden.

The advice of a tax expert is not needed to see that the section of the business community most exposed to the new measures and at whom they will hit hardest will be those least able to cope with the additional burden.

For example, businesses which are growing have the least capacity for administration while those suffering from a downturn in the market will probably be in a similar position as a result of shedding marginally productive staff.

Both types of business will already be suffering from high interest rates on finance and will almost certainly be forced to make further borrowings to pay unexpected VAT debts.

For them the payment of an interest rate penalty is likely to be the ultimate insult.

There are therefore cogent reasons for making provisions to permit these new charges to be mitigated.

The merits of allowing some discretion to mitigate automatic penalties was debated by Parliament in 1985. It was rejected, partly on the grounds that it was impractical and would overburden the appeals system.

Appeals against the default surcharge for late VAT returns, introduced in 1986, have, in fact, swamped VAT tribunals. Some of those appeals could certainly have been avoided had Customs been allowed to mitigate the amount of the penalty.

More importantly, the effect has been to debase the standing of the tribunals and the department as they struggle to find grounds to overturn the imposition of a penalty in circumstances which are clearly unfair.

It is pointless to advise businesses not to make errors.

Acknowledging that mistakes do inevitably occur, despite the best precautions, a fairer system would fit the penalty to the circumstances by allowing mitigation, exercised either by the department or on appeal.

The author is Senior Tax Manager with City solicitors Ashurst Morris Crisp.

Leslie Tilley examines computer manufacturers' attempts to hold on to customers

Moves to gain the advantage

In an effort to make computer packages more attractive to the user, manufacturers are increasingly "bundling" previously separately priced and expensive software products into the basic operating system of their hardware. Incorporating higher level software into the operating system has advantages for the customer other than lower costs. It also provides a single package with the different products needed to develop and operate applications software.

The database management system (DBMS), increasingly viewed as the heart of any business information system, is one product being bundled by manufacturers. It ranges in price from a few thousand pounds on a PC to a couple of hundred thousand pounds on a mainframe.

International Business Machines (IBM) and Digital Equipment Corporation (DEC) – the two largest manufacturers – offer a DBMS with their proprietary operating systems. Software suppliers, such as Oracle, Software AG, Computer Associates and Ingres, offer a single implementation for most makes of computer. They argue that using an independent DBMS means that users can change systems without having to change the DBMS.

IBM and DEC are coming in for the strongest criticism over their software stances. IBM released the highly successful AS400 medium-sized range with a DBMS bundled into the proprietary operating system and offers a similar package for the desktop PS/2 range.

IBM has also recently released the DB2 DBMS for its mainframe systems, positioning it as a strategic product on which future technological developments depend. DEC last year bundled a version of its RDB DBMS, which had previously cost around £9,000, into the proprietary VMS operating system of the VAX range of computers. This move made it cheaper for firms to buy applications which were developed around RDB rather than those for a competing, and still costly, independent DBMS. Mike Hudgell, DEC's database product marketing manager, said: "The benefits to our customers are significant. Applications developed to run on RDB will have a much lower cost of ownership than other data management solutions."

DEC's decision to stop charging customers for this product brought the bundling row to a head. Improving the functionality of a system by enhancing the operating system is not new. But bundling together expensive software technologies which traditionally had to be bought separately is causing consternation among the independent software firms which see ulterior motives in the manufacturers' stance. Ingres's vice president, Robert Healy, said at the time of the announcement: "Hardware vendors think that by owning the data and communications they will have control of the customer's account. DEC sees IBM doing that and would like to emulate it."

"IT'S PROGRAMMED TO HYPNOTISE THE USER INTO LOVING IT."

The furore has its roots in the trend by companies to base their information technology on "open" systems – computers based upon industry standards that can share programs and data – such as those offering the Unix operating system, now the international standard. The advantage is that applications developed to operate with Unix can be moved to other computers offering Unix without expensive revisions.

Manufacturers concede that sales of Unix-based systems are now double those of proprietary ones. Software houses argue that although manufacturers are proclaiming their belief in open systems and launching new Unix-based products (see article below), they have been slow to push Unix because of years of investment in developing proprietary operating software.

DEC points out that many years ago users had to buy the operating system separately from the hardware. It admits, however, that the operating system is essential while RDB is not. The software firms accuse IBM of adopting similar practices with the launch of the DB2 DBMS and claim that it is already having a big effect on the market.

Some firms offering an alternative have run into financial difficulties. Computer Associates has bought two of these companies, the last one being Cullinet which offered a rival to DB2. Mike Maunder, marketing manager at Computer Associates, says: "IBM's DB2 helped to kill them off. Now IBM is giving DB2 away free to certain sites for a nine-month trial period. It is just another way of stopping a client from moving to another system as DB2 locks them into the software and therefore hardware."

Peter Pagé, chief executive of Software AG, the West German software firm which sells the Adabas DBMS, backs up this view: "Bundling can be seen as the last attempt by manufacturers to keep their proprietary environment closed," he says.

David Davis of IBM said: "It is not IBM's policy, and hasn't been for some time, to bundle products. We do charge separately for hardware and software." He concedes that sometimes software is offered free as part of the package but that that depends on the customer's situation.

The competition seems to be good news for users. Those deciding to stick with proprietary systems gain a cheaper price while those opting for open systems continue to have as much competition as they could wish for.

An open mind to competition

Digital Equipment fired off a salvo of new products in the highly combative computer workstation and server markets this week, claiming – as all the major manufacturers do – to outperform the competition.

The new DecStation 5000 computers run Digital's latest version of the increasingly popular Unix operating system and achieve raw processing speeds of up to 24m instructions per second (MIPS). Prices start at $15,000 (£9,000).

Prime targets of Digital's new thrust in the workstation arena are Sun Microsystems, Hewlett-Packard and IBM, which recently entered the fray by launching a workstation with record-breaking computational speed of 27 MIPS.

Digital acknowledges that it cannot quite reach the raw speed of IBM's new workstation, but claims that other features of its machines more than compensate. "The IBM workstation is a hot rod. It can accelerate fast down the track but it does not perform so well in regular driving," says Donald Gaubatz, group manager workstations. Computer users need machines that perform well when running real applications, rather than benchmark tests, he explains.

None the less, Digital claims that its latest products beat all other desktop workstations in two dimensional and three dimensional graphics performance. This is to ignore significant competitors such as Silicon Graphics; its comparable computers reside in "deskside" cabinets.

At the root of the performance battle are the Reduced Instruction Set Computer (RISC) microprocessor chips that power workstations. IBM has leapfrogged the competition with its proprietary RISC chips, but few doubt that others are far behind.

More significant for many computer users is Digital's clear commitment, with the introduction of the DecStation 5000 workstations and companion network servers, to "open" systems. As the second largest computer manufacturer in the world, after IBM, Digital has built its reputation upon sales of proprietary hardware and software. Without reducing its commitment to its proprietary technology, Digital appears to be placing a much higher emphasis on open systems.

"Digital intends to be the number one vendor of open systems in the 1990s," company executives declared this week. The computer world that Digital envisages will be "like a general session at the United Nations, where you can pick up a set of earphones and decide which language you want to hear," says Gaubatz.

For Digital, the Unix-based DecStation 5000 is as much a defensive move against the trend toward open systems as it is an attack upon other workstation vendors. Digital believes that most of its established customers remain committed to the company's proprietary VAX systems. But for those who are switching to open systems Digital now has a credible offering that may prevent them from straying beyond the Digital fold.

Louise Kehoe

Recording a prettier picture

BROADCASTERS in the US and Japan may soon be recording their television programmes and still video shots on 12-inch optical disks rather than magnetic tape.

Panasonic Communications and Systems, part of the Matsushita group, has developed what it claims is the first erasable video disk recorder which records the pictures in an analogue format – in a similar way to today's video tape – rather than the digital format used for computer disks. Analogue recording makes it easier to store more of the image intensive video pictures.

The recorder, about the size of a small suitcase, can be attached to any camera which uses the NTSC television standard, such as those in the US or Japan. The machine can use one disk up to a million times and each disk can record 30 minutes of live video on each side.

No price has been announced for the system, which should be available towards the end of year.

Financial CDs take over

THE merger of financial information and technology has produced a CD-Rom which gives all the latest European information on company takeovers.

The "CD/M&A: Europe" gives the latest details of mergers and acquisitions. Sold by Lotus Information Services, of Staines, the material has been compiled in conjunction with IDD, a member of the United Newspaper Group.

Updated versions of the CD-Roms are despatched on a monthly basis.

Limits of the human touch

HUMAN factors rather than technological ones prevent the successful implementation of information technology (IT) in the UK's biggest companies.

That is the summary of a report from the PA Consulting Group, of London, which set out to identify whether companies were making the best use of IT for their business advantage.

The in-depth study of 15 of Britain's blue chip companies concluded that in the majority of cases IT remained under-developed as a business weapon. Some of the barriers were ignorance as to what can be achieved with IT, the inability to move from concept to practice, failure to recognise how people work together and poor training and user support.

One significant factor was the inability of IT professionals to elicit from managers what they needed the computer system to do for them.

Key to software protection

MANAGERS worried about staying on the right side of the UK's new copyright laws, and those wanting to protect their computer systems from the spread of viruses, need to prevent against the unauthorised copying of software.

Software Security, of Stamford, Connecticut, has developed a hardware and software combination which prevents the illicit copying of most software application packages.

With the Activator-S, a hardware "key", about the size of two matchboxes, is plugged into the parallel port of the computer, between the PC and the printer. Each key has an individual identity.

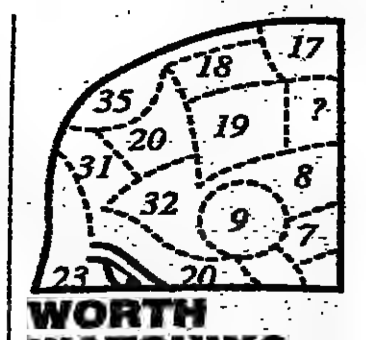
A menu-driven software package is then loaded on the PC, and the user instructs the software to prevent the copying of a number of named packages. Unauthorised users can copy the software package but they can only use it on a PC which has the appropriate hardware key. For business applications a whole network of PCs could have the same identity.

Benefits of yeast on the rise

YEAST is proving that it has more uses than just a food agent. Soviet scientists have begun producing an enzyme extracted from yeast which can be used medically to treat burns or arthritis, or cosmetically to help reduce wrinkles.

Researchers at the All-Union Institute of Biosynthesis of Protein Substances, in Moscow, are planning to produce up to a tonne of the enzyme – super-oxiddismutase – every year. They are looking for partners to help design and produce a range of medical and cosmetic products based on the enzyme, according to the Novosti press agency's magazine, Advances of Science and Technology.

A by-product of extracting the enzyme from the yeast cells is the yeast cell walls. Because they have a high absorption capacity for pesticides and heavy metals, the researchers believe they could be used for purifying fruit juices or wine.



WORTH WATCHING

by Della Bradshaw

Hospital gets a new Pet

HAMMERSMITH hospital in London will become the first medical centre to use what the manufacturers claim is the world's smallest cyclotron – the particle accelerating machine more usually associated with nuclear physics than with medicine.

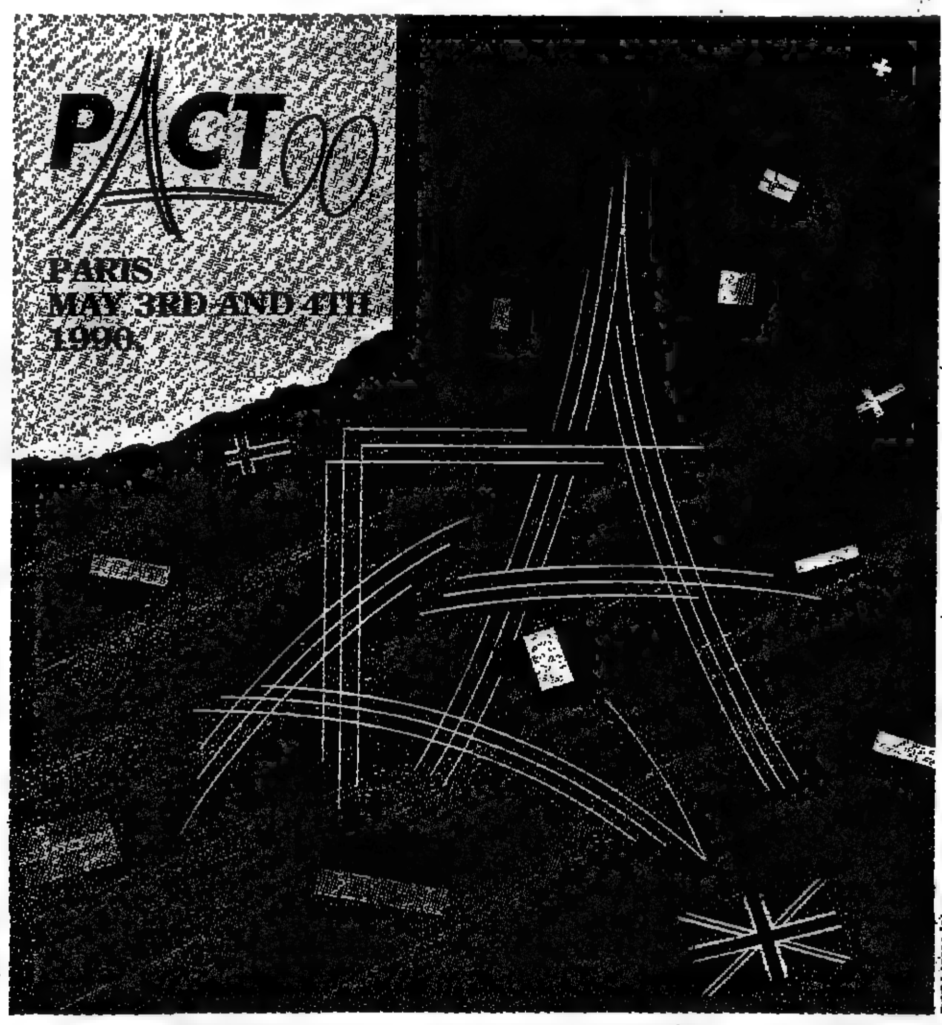
The machine, developed by Ion Beam Applications, of Louvain-la-Neuve in Belgium, is used in neurology for diagnosing brain disorders, such as epilepsy.

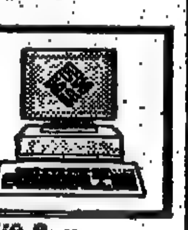
The Cyclone 3-D, as it is called, produces oxygen 15, a radioactive isotope of oxygen. It is mixed with glucose which, when injected into or inhaled by the patient moves quickly to the brain.

A scanner picks up the radioactive particles and displays a picture of the brain on the monitor.

Advocates of this type of positron emission tomography (Pet) technology say it provides more accurate clinical images than its predecessors, isotopes of strontium and rubidium. Pet therefore makes it easier for doctors to explore metabolism deep within the human body.

Contacts: Panasonic: Japan, [illegible] 1121. Lotus: UK, 0784 455445. PA: UK, 01 [illegible] 7744. Software Security: US, 203 329 8870. UK, 0784 430060. All-Union Institute of Biosynthesis of Protein Substances: USSR, [illegible] 272 10 23. IBA: Belgium, 10 47 [illegible] 54.





CINEMA

Juggling with fate

ENEMIES: A LOVE STORY
Paul Mazursky

CHICAGO JOE AND THE SHOWGIRL
Bernard Rose

LOOK WHO'S TALKING
Amy Heckerling

ALL DOGS GO TO HEAVEN
Don Bluth

SOCIETY
Brian Yuzna

"What kind of a world is this without Nazis?" asks Masha (Lena Olin) of her lover Herman (Ron Silver) in *Enemies, A Love Story*.

What indeed. The West asks itself a semi-identical question today, as Iron Curtains collapse and longtime political villains turn into cuddly peaceniks. At such a time what do we do with all our old emotions? Like fear, hatred, bigotry or belligerence?

Herman is the hero, or anti-hero, of Paul Mazursky's skilful, lightfooted film of Isaac Bashevis Singer's novel. Not so much a movie, more a *perpetuum mobile*, it scurries around America's East Coast Jewish territories, from Brooklyn to the Catskills, telling the tale of Holocaust survivor Herman who lived through the war but has a harder time living through the peace.

Why? Because this Polish-Jewish juggler with fate (who earns a living ghost-writing sermons for a Rabbi) is involved with three women at once. His reward for escaping Hell before is to be flung into an overheated Heaven now. He lives with Yadwiga (Margaret Sophie Stein), the Polish peasant who once saved him from the Germans by hiding him in a hayloft. He is bedding and romancing Masha, played by the husky-sensuous Miss Olin (last seen doing unmentionable things with a bowler hat in *The Unbearable Lightness Of Being*). And to cap it all, his missing-presumed-dead wife Tamara turns up. She is the gawky, resplendent Anjelica Huston, wearing pillar-box lipstick and purring Slavic vowels. Happy to play the waiting game, her unspoken message to Herman as he marks up his calendar for his other women is "Tamara is another day."

Juggling love trysts and transposing fear-of-discovery from wartorn Europe to love-torn urban America (no haylofts to hide in), the film is a mint of sly comedy. By the time Herman has become pledged or re-pledged to all three women, his vision is so steamed up by events that he gropes blindly for advice from worldly Rabbis (Alan King), from deceptively sympathetic wives or from his own deep wells of Hebraic stoicism.

The movie maybe a mint of comedy, but unfortunately it has a hole in it. Actor Ron Silver, deploying the all-purpose, 5 o'clock-shadowed anxiety he brought to *Fellow Traveller*, is too dour and inert for Herman. The film needs an actor with panic written into his pores and a pair of nervous, 50,000-mile heels. I am not sure it does not need Paul Mazursky himself, who as well as directing pops up in a toothsome cameo as Masha's ex-spouse. As film-maker and actor, Mazursky has a cultured but ravenous sense of the ridiculous. It is the quality that makes *Enemies*, for all its subtler tone, come from the same bubbling comic source as *Blume In Love, Moon Over Parador* or *Down And Out In Beverly Hills*.

★

War, as Mazursky's film points out, makes the world go mad: and the madness spreads far beyond the fighting zone. In *Chicago Joe And The Showgirl*, directed by Bernard Rose (*Paperhouse*) from a truth-based script by David Yallop, a young American army deserter meets an English good-time girl. Place, Hammersmith; year, 1944. One week later the couple have cut a trail of senseless crime across London and are under arrest for (inter alia) the brutal murder of a taxi-driver.

Truth is stranger than fiction, but re-fictionalised truth can be the dullest thing on the menu. The movie's wartime London seems to have been knocked up on a studio backlot and peopled with half a dozen extras waiting for the tea break. Whenever the director attempts to wallop up the wattage, all he provides is daft hyperbole: a Wagnerian street inferno with upended bus, a crane-shot over a painted vista of rooftops that suggests Walt Disney let loose on post-Blitz London.

Worst of all, instead of establishing Carl Hulton (Kiefer Sutherland) and Georgina Grayson (Emily Lloyd) as *in-depth characters*, the film uses the shallow fantasy device of re-costuming them within the same scene according to their wish-fulfilment images. She keeps glimpsing him as her pinstripe-suited Chicago gangster, he her as his blonde and candy-bloused moll. Meanwhile each converses in speak-your-fate ironies – "There's only so much luck, it's rationed like everything else" – designed to remind us that the shadow of the noose is close at hand. (Both were sentenced to be hanged at war's end, though Grayson was reprieved.)

One scene stands out to show what might have been. The midnight attack on a girl whose fur coat Lloyd covets has the matter-of-fact horror that would have enlivened the whole movie. The stolen army van pulling up by a grim lake; the tyre-jack crashing into the skull ("Oh my God" gurgles the victim quietly); the man wrestling the girl to the ground; the watching Lloyd giggling and kicking her legs in delight. Suddenly we are pitched deep into the world and minds of this bargain-basement Bonnie and Clyde. Elsewhere, the bargain basement values belong strictly to the film.

Lena Olin, Alan King and Ron Silver in 'Enemies, A Love Story'

Look Who's Talking is the amazing tale of a baby who voices his own thoughts. This hit comedy from writer-director Amy Heckerling (*Fast Times At Ridgmont High*) is amazing partly because it has become the highest-earning film ever directed by a woman; and partly because – as slapstick battles with schmaltz, wit with winsomeness – you seldom know whether to laugh, chortle or throw up. Baby Mikey starts to get lippy in the womb ("Hey! You! Let's get a little apple juice down here") and graduates to chronic precocity soon after. Born of unwed mother Kirstie Alley (of TV's *Cheers*), he is clearly a confused child and who could blame him? Since his father is businessman George Segal and his stand-in Dad is Alley's later boyfriend, taxi-driver John Travolta, he must think the male world consists entirely of Hollywood actors who have returned from has-been status.

The movie runs out of plot after half an hour. Thereafter it busks furiously, throwing us everything from a car chase to a soundtrack full of old pop songs. The best scenes are the baby-talk ones. Dubbed with the hungover huskiness of Bruce Willis, the infant is allowed all the smart comebacks we wish we had made as babies. "No, don't want a nap"; "More milk, please"; and, when grandma Olympia Dukakis leans over the child to make goo-goo noises, a look of withering incredulity and the judgment "Oh yeah; she's gone."

★

In the Worst Imaginable Nightmare sweepstake, a world where babies talk comes a close second to a world where dogs return from the dead. We are not talking Stephen King here. We are talking animator Don Bluth and his latest feature *All Dogs Go To Heaven*. And we are talking like this to prepare you for the hip, streetwise lingo in this pen-and-wash fantasy from the creator of *An American Tail* and *The Land Before Time*. Here as before, Bluth's visual virtuosity wars with his decrepit storytelling. We have an Alsatian called Charlie (voiced by Burt Reynolds) who furloughs from doggy Heaven only to get caught up on Earth with a crooked casino-owner, a Louisiana alligator, a fellow doggy (Dom De Luise) and an orphan girl wearing Snow White's cast-off clothes plus cast-off simper.

The story is so poorly developed that it blunts even the goodish set pieces: an Esther Williams pool fantasia with alligators, a bayou "rat race." The message is clear: the dead should stay dead. Long before curtain-time, one is making a mental note not to re-admit dear departed Fido into our lives, however much he may sound like Burt Reynolds and put over a good song through the letter-box.

★

Society has somehow given the video market the slip and made for the wide open screen. It should be caught and restrained immediately. In this horror debut by director Brian Yuzna, I am not sure which is worse: the first hour in which nothing happens or the final half hour in which everything does. By everything we mean a special-effects orgy with distended limbs, dripping flesh and bodies that turn (literally) inside out. All this is played for some reason to the tune of the Eton Boating Song. It must have been a close choice between that and "Hello Dali."

Nigel Andrews

Volpone

ALMEIDA

Do moralists have to dislike humanity? Disapproval need not mean disgust. Pass from Hogarth's scathing comic strips of social corruption to the study of his servants in the Tate: love and respect suffuse each portrait, from the fresh hopefulness of the young to the dignified serenity of the aged.

Ben Jonson's satires evince little such affection. Predators and fools make up the race, and Jonson's comedy too often consists of that last resort of the humourless, verbal dexterity; too often the creaky farce of the unsmiling pedant trying to be one of the lads. Nicholas Hytner's depiction of greed devouring itself takes a ruthless blue pencil to the prolixity, incidentally omitting Sir Politick and Lady Wouldbe. His production sweetens the sour; but the bitterness he discards from the play is actually the pill. Without it one realises that human characterisation and the mechanics of plotting were beyond Jonson's powers.

Some years ago Hytner, with designer Mark Thompson and actor Ian McDiarmid, gave us a legendary *Country Wife* in Manchester: a biting, tough production for our dehumanised times, funny, exhilarating and disturbing. The same team's *Volpone* is jolly but, amazingly for the second decade of Thatcherism, lacks fangs. The stage consists of chests and crates, one of which opens a trapdoor to a sparkle of glitter-dust and a molten glow – Volpone even keeps his capering entertainers, dwarf, eunuch and hermaphrodite, stowed away in cupboards and chests, to emerge like cuckoos from a clock. A mock eucharist at the altar of his gold is the toughest satirical note struck. Otherwise the competent frolic breaks down into a series of individual vignettes.

McDiarmid's Volpone shows up his time-serving sycophants a trifle too moralistically. He is a licensed railer, a cousin to Marston's Malcontent, but detached with an almost puritan fastidiousness from the rapacity of which he should be prime exemplar. Draped in fox-furs on a couch that rises from the subterranean, he is less the opulently self-indulgent than the Calvinist with a mission to flay the sinners around him. This may have prompted the Scots accent of Denis Lawson's Mosca, a fly boy in more than the philological sense, in the green bomber jacket and black PVC trousers that evoke a humanoid bluebottle. The charaterisation is muted, though at least Mr Lawson shows more animation than the stony-faced stolidity familiar from his television and film performances.

Cate Hamer's touchingly straightforward Celia apart, the grotesques carry the day. Philip Locke's cavernously-voiced Voltore, faintly evoking a white-haired Max Wall; Cyril Shaps' brilliantly decrepit old Corbaccio; and above all Timothy Walker's City gent of a Corvino. Slightly resembling Leonard Rossiter, he of the predatory mandibles, Mr Walker gives an impeccable demonstration of high, stylised farce. This is a truly Jonsonian performance that propels us into accepting the inhumanity as part of the joke. But Mr McDiarmid's style, as he reminds us in his soaringly erotic rhapsody over Celia, is Hogarthian. Humanity keeps breaking in – fatally for Jonson's clockwork caricatures.

Martin Hoyle

Marya

OLD VIC

A classical violin melody shattered by loud gunfire. A curtain is swept away; we see a small shelter; in burst three men – the first of whom blasts off with "God, it's been bloody difficult lately."

The scene has been set in these few quick strokes – the old order torn violently asunder, civilians sheltering in straitened circumstances. Isaac Babel's *Marya* is set in Petrograd in 1920, while Russia was undergoing the first labour-pains of its new search for identity. Roger Michell's staging of Christopher Hampton's adaptation – which opens the Old Vic's new 1990 season – restores the play to London after 23 years; and, of course, it arrives at a time when a new question-mark hangs over the whole issue of the Bolshevik Revolution.

The play is dense with references to past history, world culture, the price of bread, the sadness of life, sex, the class system and the search for a happy resolution. "The Bolsheviks will complete the work of Ivan the First," says General Mukovnin, "They will give us a united Russia . . . They are fighting for an ideal."

Marya, Mukovnin's eldest daughter, working for that Bolshevik ideal, becomes the play's controlling symbol. In every scene, different people talk eagerly of her: beautiful, large-spirited, stronger and finer than anyone else in the play. She never arrives. Meanwhile the rest of the Mukovnin family, each more vulnerable and passive, eke out existences in Petrograd that lead deeper into error, humiliation, destruction. Fine performances here from Geoffrey Bayldon, as the scholarly, optimistic and refined General, from Julie Legrand as the sly, silly, edgy, good-time Ludmila and from Sylvestra Le Touzel, half soft and domestic, half tough and bitter as Katya.

The play runs without interval for an hour and three-quarters. William Dudley has made a superb series of different sets; each shows us a new, small, domestic, scarred, once-handsome interior. Behind, two permanent showers of printed sheets of paper – one Red, one White – hang like falling leaves; and a ghastly skeleton rides grand architecture. More expressive yet is the turmoil of every scene-change.

Babel wrote the play in 1933, just before Stalin closed his grip over the arts. The thrill of *Marya* is the thrill of Petrograd. The action is fast, the concentration on individual character poignant. The Mukovnins are only a few parts of a broad, wonderfully Russian view of society. Allan Corduner, Robert Demeger, Matthew Marsh, Sheila Burrell and others bring alive the worlds of the army, the demi-monde, the black market, the interrogation chamber, the communal house.

We know that the worst things are happening offstage; but what this staging shows us – including a rape, and deaths by shooting-squad, sudden duel and heart-attack – is bad enough. Yet we know that these individual disasters are only part of the picture; and the final scene is optimistic. Blue skies and baroque architecture seen through the windows; new characters getting used to the Mukovnins' rooms; the offstage singer now onstage (Frances Jellard), singing steadily as she cleans. (Convincingly Russian songs by Jeremy Sams.)

Alastair Macaulay

More Maxwell Davies

QUEEN ELIZABETH HALL, RADIO 3

There is no doubt that Maxwell Davies's recent music traces its pedigree right back through his development, that the techniques used in the Strathclyde Concertos have grown naturally out of the processes of the *Taverner* Fantasias, *Worldes Blis* and the first Orkney pieces. Davies has steadily refined and honed these means, to fashion a style that now is as biddable as he could wish.

So the new Concerto for horn and trumpet, the third of the series he is writing for the principals of the Scottish Chamber Orchestra, is as fluent and seamless as one might expect: expertly written, and not entirely without its serious undertow. It was first heard in Glasgow earlier this year, and the composer conducted its English première with the SCO on Tuesday night, with soloists Robert Cook and Peter Franks.

It's still hard to adjust to the idea of Davies as a made-to-measure composer, writing to order in the best traditions of 18th-century Classicism, hard to discard the image of a composer whose music was constantly questing, moving forward.

For a quarter of a century Davies explored as actively and excitingly as any British composer; now the territory seemed fixed and familiar, and contains few surprises. Perhaps Davies himself has revised his notions of the functions of his own music, perhaps his priorities have changed. But the sense of challenge has almost disappeared.

One recognises many of the dynamic elements of the new concerto, its ways of building and discharging tension, of crystallising melodies and harmonies and can often place the works that marked their first appearance. One can note too that the substance of the concerto is alloted to the orchestra while the solo pair fill the interstices with their own brands of material – winding chromaticisms for the horn, runs and smears for the trumpet. The dark orchestral corners might promise something more, and there are moments when the music threatens to work against its own grain; in the end, though, it all runs out smoothly and without any sense of contention.

Andrew Clements

Margaret Price

WIGMORE HALL

This recital offered a glimpse of a Wagnerian dream that is unlikely ever to be fulfilled. Margaret Price has declared that she has no intention of essaying the role of Isolde on stage, but she can and does sing the Wesendonk Lieder, Wagner's inspired early sketches for the opera, and those songs formed the climax of her programme at the Wigmore Hall on Tuesday night.

The recital was in the British Library's Stefan Zweig series, which is built around manuscripts donated to the library in the Zweig collection. Liszt and Wolf were also among the composers and the singer responded with that extra warmth and resonance that her tone has acquired in recent years, a fully romantic instrument. The roughnesses that can occur when this voice pushes for volume were only occasionally to be felt.

Her choice of music was enterprising. The Liszt songs, simply and beautifully sung, included a couple of items outside the obvious half dozen. Then we had a cycle entitled *Trauer und Trost* by Cornelius that in other circumstances might merely have seemed of limited potential. Its third song, "Ein Ton," is written entirely on one note and would not have worked if the singer had been a less eloquent speaker of the German language.

A selection of Wolf's Mörike Lieder elicited humour and some emotional weight, if not the spontaneous quickness of the reflexes that the pieces ideally demand. When Schwarzkopf sang "Heimweh," which she did often, the singer's eyes brimmed with tears at the end. Price prefers a more measured response and keeps her attention on a voice that does not waver and words weighted with judicious care, the whole splendidly supported by Graham Johnson as accompanist.

Then finally to the Wagner, which proceeded to confound all expectations. Just when a considered and broad style might have been predicted, Miss Price suddenly threw caution aside and unlocked from these marvellous songs an intensity and immediacy of utterance that they rarely enjoy in the singing of most Wagnerian sopranos. Isolde seemed to burst in full dramatic splendour from the music and to that extent, at least, the dream has been realised.

Richard Fairman

Ballets Jazz de Montreal

SADLER'S WELLS

Looking at the Ballets Jazz de Montreal, I had a curious sense of time travel. We were back in the early 1950s watching the jolly caperings that gave a spurious vivacity to the musicals of the period. At moments we were even further back in history as jitterbugging and bobby-sox girls wreaked their ancient havoc.

The company – whose title at least identifies whence it came, if not the truth of its claim to produce ballet to jazz – opened a London season on Tuesday night. Its calling card is, I suppose, that brash and oh-so-willing energy that hopes to convince us that we are having a wonderful time as the dancers are trapped in choreographic predictabilities which are as remote and unconvincing as the minuet.

I have rarely sat through an evening in which every least action had the fine old patina acquired from generations of television shows, indifferent musical comedies – Jerome Robbins has laboured in vain – and the hoariest emotional clichés of the cinema. There was a trio being unbearably Latin to Stan Kenton's recording of *Peanut Vendor*. There were diagonals of dancers ripping across the stage, stopping, and zipping onward with gay abandon. There was even the girl in the red dress behaving like a grievously wronged Rita Hayworth.

The choreographers variously responsible for these déjà-vu phenomena were Richard Levi, Lynne Taylor-Corbett and Brian Macdonald. One of the numbers in Mr Levi's offering was called *Rupture*, though this did not, alas, interfere with the dancers' activities; Miss Taylor-Corbett made three couples take off various items of clothing (and I don't blame the girls one bit: their dresses were hideous); Mr Macdonald used Stan Kenton's stunning orchestrations of popular songs as a doormat on which his choreography wiped disinterested feet.

There was one item, though, deserving of attention: John Cranko's cariccio for two male clowns and their female accomplice, set to Stravinsky's *Ebony Concerto* (well played by the Wren Orchestra's Little Band). It is a securely-crafted frivol, brightly danced by its cast, and looked like a masterpiece in the company it was keeping.

Clement Crisp

SALEROOM

Buyers hold off

The top of the art market has caught a cold and the lower levels are suffering from pneumonia, but big names can still command big prices.

Sotheby's was selling yesterday 39 bronze sculptures of animals by Rembrandt Bugatti from the collection of the French movie actor Alain Delon. This was the most important group from this famous, but short lived (he died in 1916 aged 32), animalier to appear on the market. The group sold at the very low end of the forecast, but solidly, bringing in £2.5m, with 10 per cent, or four lots, bought in.

The top price, and an auction record for Rembrandt, was £242,000 for two stalking panthers made in 1903 in an edition of three. They went to a private German collector who also paid £181,500 for a 1909 white elephant, one of five, and £159,500 for two more panthers. A stag and some deer realised £176,000, below estimate.

Tuesday night's major auction of Impressionist and modern pictures at Sotheby's suggested that buyers were holding off, ending a two year period of unprecedented price rises. The auction totalled £33.76m, with 36 per cent unsold, although a major Picasso was disposed of after the sale for £2m, under its low estimate. The only artist in demand was Chagall, who set two records culminating in the £3.74m paid by a Japanese bidding on the telephone for a picture of a wedding couple painted in 1949.

Hesitation by the Japanese, unsettled by a falling Stock Market and rising interest rates, has contributed to the jump in unsold lots. This was repeated yesterday when Sotheby's offered Impressionist and Modern drawings and watercolours which totalled £5.1m, also with 36 per cent unsold. This was an improvement on Christie's 57 per cent unsold at its watercolour sale, although Christie's performed marginally better with the major paintings. All the main lots went to continental buyers.

A French dealer paid £561,000 for a late Picasso (1968) pastel of two heads. A private German collector paid double the estimate for a Klee watercolour of a quarry, while a German dealer acquired a Kandinsky geometric abstract gouache, for £418,000. A 1921 Picasso drawing of two bathers went for £396,000 and a Swiss bought a Paul Klee Bauhaus abstract for £352,000.

Antony Thorncroft

ARTS GUIDE

March 30-April 5

EXHIBITIONS

London

The Tate Gallery. Joseph Wright of Derby – a full study of the work of one of England's most distinctive painters of the 18th century, yet one, like his close contemporary George Stubbs, too often dismissed as a mere provincial. Daily until April 22, except Bank Holidays.

The Barbican. Scottish Art Since 1900 – a brisk and effective celebration of what has always been a most vigorous and distinctive national school, yet one which has for far too long been not so much under-rated as underknown in the southern Kingdom. There are still gaps and over-rapid transitions, but the show nevertheless makes its point very well. Daily until April 16.

The Royal Academy. Frans Hals – the great retrospective, already shown in Washington and due to go on to Haarlem, of the work of one of the greatest painters of the 17th century Dutch school. Master of the portrait, he was all but forgotten for 200 years after his death in 1666, and he remains an enigmatic and controversial figure. Until April 8.

Paris

Grand Palais. Soliman Le Magnifique. A treasure trove of goldsmiths' work, miniatures, ceramics and textiles recalls the splendour of the reign of Soliman "the shadow of god on earth", whose Ottoman Empire stretched in the 16th century from the Caucasus to the gates of Vienna and from Algeria to the Persian Gulf. Closed Tue, Wed late closing, ends May 14 (42895410).

Musée d'Orsay. The Fragmented Body. Parts of the human body, or the incomplete body form the leading strand of an exhibition beginning with ex-votos and reliquaries and culminating in a celebration of Degas, Bourdelle, Maillol and especially of Rodin with his masterly transition from realistic to abstract sculpture. Ends June 3, closed Mon, entrance Quai Anatole France (40494814).

Centre Georges Pompidou. Pavel Nikolaievitch Filonov. A solitary figure of the Russian avant-garde, he rebutted cubism and futurism as contrary to nature's – and art's – organic development. "Every atom" of the surface of the 50 paintings and 150 drawings is given intense attention and basks in the light of idyllic harmony in cruel contrast to his own destiny. Closed Tue, ends April 30 (42771233).

Musée Carnavalet. Antique bronzes. Some 460 statuettes bring to life the Gallo-Roman world up to the 5th century. They are grouped in glass-cases around a divinity surrounded by objects of the appropriate cult. Closed Mon, ends July 1 (42722113).

Grand Palais. Pre-Columbian art in Mexico (1500bc – 1521ad). Some 130 exhibits from Mexico's archeological museums bear witness to the high degree of artistic development of the ancient civilisations of the Mayas and Aztecs. A deep religious sense imbues their imaginary world peopled with divinities often represented as jaguars and serpents. Closed Tue, late closing Wed. Ends July 30 (42895410).

Brussels

Archives Générale du Royaume, Grand Sablon, commemorates Belgium's short-lived declaration of independence from the Austrian Empire and the subsequent power struggle between France and Austria for control of Belgium. Daily, closed Sunday, ends 31 March.

Musées Royaux D'Art et D'Histoire. The Enigma of the Easter Islands is partially deciphered in this exhibition of photographs and artifacts. Closed Monday ends April 29.

Ghent

Museum voor Schone Kunsten. Flemish Expressionism in a European Context (1900-1930) with works by De Smet, Ernst, Permeke, Van den Berghe and Zadkine. Closed Monday, ends June 10.

Antwerp

Koninklijk Museum voor Schone Kunsten. Belgian Painters of Country Life. Closed Monday, ends April 22.

Museum van Hedendaagse Kunst, Beeldenstorm...Anno 1990 – Contemporary Dutch Artists. Closed Monday ends April 29.

Venice

Palazzo Grassi. Andy Warhol Retrospective. Until May 27.

Museo Correr. Jacopo Palma Il Giovane (1548-1628). On show for the first time is one of the two albums of Palma drawings owned by the 18th century collector Anton Maria Zanetti (the other is in the British Museum) recently acquired by the museum, together with a selection of paintings, mainly of biblical and mythological subjects. Ends April 29.

Rome

Villa Medici. Self portraits from the Uffizi – from Andrea del Sartoto Chagall. Thirty works from the collection started by Cardinal Leopoldo de Medici in the 17th century, marking changes in style and taste over 300 years. Particularly interesting is the fierce and uncompromising self-portrait that was painted by Ingres in 1858. Until April 15.

Madrid

Fundacion Caja de Pensiones. Conceptual art: a perspective. Overall view of this relatively unknown movement which is nevertheless continually nourishing contemporary art production. Works on show range from the mid-60s to the early 70s. Ends April 29.

Barcelona

Museo Picasso. Cubist works belonging to the National Gallery of Prague – Kramar Collection. The show includes 17 paintings by Picasso together with an important selection of works by Czech and French artists. Ends April 29.

Berlin

Staatliche Kunsthalle, Budapester Strasse 42: Lasar Segall (1891-1957) around 350 paintings, drawings, sculptures and graphics of the Brasilian painter, born in Wilma, are to be exhibited until April 20.

Braunschweig Kunstverein, Lessingplatz 12: Gottfried Graubner. Around 100 aquarelles, paintings, and gouaches. Until April 24.

Vienna

Kunstforum. Works by the Romantics, ranging from Caspar David Friedrich to Adolph Menzel.

Museum fuer Volkerkunde has a marvellously exotic exhibition called Jemen, focusing on the world around the Queen of Sheba. Ends June 10.

New York

New York Public Library. More than 125 documents of the Abolitionist Movement, including photographs, letters and rare books, display the spirit and drive of the long effort to free the slaves. Ends Sept 15.

Centre for International Contemporary Arts. Large-scale works in pastel and compressed charcoal by 31-year-old British artist David Oliphant, is the first of a series of four shows of young British artists slated for this new, well-received arts institution. Ends April 21.

Washington

National Gallery. A joint Soviet-American collaboration brings together Matisse's fruitful and arguably pivotal work in Morocco during his visit in 1912-13 including 23 paintings and 45 drawings, among them the famous Moroccan Triptych from the Pushkin Museum, never before exhibited in America. Ends June 3.

National Gallery. Highlighting this decade's renewed interest in printmaking in America, the 100 prints comprise a special exhibit borrowed from the collection of Joshua P. Smith, among them works from major contemporary artists including Jasper Johns, Richard Diebenkorn and Alex Katz. Ends April 8.

Chicago

Chicago Historical Society. The Land of Lincoln does its most famous citizen proud in the exhibition A House Divided. America in the Age of Lincoln, with documents, mementoes and personal effects of the Great Emancipator.

Chicago Historical Society. A special exhibit of Frank Lloyd Wright's designs for art-glass windows, furniture and silver shows why the details completed the Wright look. Ends June 17.

Tokyo

Isetan Museum, Shinjuku. Impressionists and Post-Impressionists from the Fogg Museum, New York, including works by Van Gogh, Lautrec, Matisse and Picasso. The Japanese fascination with Impressionism continues unabated, so expect crowds.

Suntory Museum. European Posters from the Grandvil Collection. Works by Lautrec and Mucha, as well as by artists of the Art Deco and Pop Art periods. Closed Mondays.

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The least we can do

TWO LAWS were published yesterday affecting the future of Hong Kong: one in Peking and one in London. Neither contained any surprises. Neither offered any real comfort to the mass of Hong Kong people as they wait for their absorption into China in seven years time.

The Peking text is by far the more important. Britain's power to affect the destiny of Hong Kong is steadily declining. Peking's power is growing and Peking's law lays down the framework under which Hong Kong is to be governed from 1997 onwards.

To the casual reader, that framework might look quite promising. It lays down that "the socialist system and policies shall not be practised" in Hong Kong, and that "the previous capitalist system and way of life shall remain unchanged for 50 years." Moreover, the National People's Congress "authorises" Hong Kong to exercise a high degree of autonomy, except in foreign and defence affairs, and to "enjoy executive, legislative and independent judicial power." Hong Kong residents are to be equal before the law and to enjoy freedom of speech, of publication, of association, assembly and so on. The provisions of various international covenants and conventions are to remain in force.

Sadly, last year's events in Tiananmen Square, followed by a series of hostile statements and gestures towards Hong Kong from the Chinese leadership, have discouraged the Hong Kong population from taking these clauses at face value. More attention has been paid to the fact that China has whittled down the number of seats in the legislature to be filled by direct election, has refused to commit itself to any timetable or procedure for the "ultimate aim" of moving to full universal franchise and has introduced clauses making it very difficult for members either to amend or to initiate legislation.

Basic freedoms

China has also strongly opposed the introduction of a Bill of Rights codifying the basic freedoms which casts doubt on the value of the Basic Law's references to them. And a chill has been sent down Hong Kong spines by China's insistence that "subversion" and contacts with foreign groups must be prohibited.

No less ominous is the growing interference of Peking in important infrastructural investments in Hong Kong such as the proposed new airport and container port. This suggests that China's leaders are still very far from grasping what it is that makes Hong Kong's "capitalist system and way of life" so successful and worth preserving.

Little leverage

Unhappily Britain's policy of making convergence with China and continuity through 1997 the overriding priorities of its Hong Kong policy has left it with very little leverage. Hong Kong could by now have been a working democracy had Britain so willed it, confronting China with a fait accompli the demolition of which would at least carry a significant political cost. It is very late for that now, but at least the Bill of Rights should go ahead, and preferably be strengthened in line with the expressed opinion of Hong Kong lawyers and other community leaders.

Otherwise Britain can only seek to bolster confidence in Hong Kong by offering a guaranteed escape route to those whose premature flight would be most damaging to the economy. That is the purpose of the bill published yesterday enabling the Home Secretary to grant passports, on the advice of the Governor, to up to 50,000 Hong Kong heads of families with their spouses and minor children. It falls well short of what independent consultants and the Hong Kong Government believed necessary but it is apparently the most that the British Government feels able to put before the House of Commons.

The opposition which even this limited measure encounters within the Conservative party, and the opportunism of the Labour party in seeking to exploit the issue against their own proclaimed principles, are equally contemptible. The people to whom the Government proposes to offer British citizenship, in the hope of persuading them to stay where they are, are people who could, should they decide to come, make a valuable contribution to Britain's economy and society.

The bill does not do much for Hong Kong but it is surely, in the circumstances, the very least that Britain should offer.

Backlash from the bid boom

The takeover boom may have slowed dramatically in the first quarter of 1990, but the backlash lives on. That much is clear from the enthusiasm with which the Pennsylvania legislature is contemplating action this week against takeovers from outside the state and the continuing public hostility in Massachusetts to the bid for East coast industrial group Norton by the UK-based conglomerate BTR. Nor is the wave of discontent confined to the United States. British industrialists have been exceptionally vocal of late in their condemnation of short-termism in the City.

There is, admittedly, a cyclical element in all this. Yet the reaction seems extreme by past standards. Part of the explanation lies in the sheer scale of takeover activity in the past three years, when the ready availability of junk bond finance made even the largest companies vulnerable to hostile bids. The high profile of Japanese inward investment, most notably in the case of the acquisition of the Rockefeller Centre in New York, provides another clue to the depth of feeling that prevails in the US if not in Britain.

This underlines the existence of a powerful populist element in the backlash. And even the most enthusiastic proponents of red-blooded capitalism would be wise to acknowledge that populist instinct is not invariably mis-directed, at least so far as the diagnosis is concerned. This week's release of convicted insider dealer Ivan Boesky is a reminder of the excesses that accompanied the boom on Wall Street, while the Guinness trial in Britain provides insight into the extremes of takeover behaviour.

Strange solutions

Also worrying, from the point of view of industrialists as well as the public, is the way the market in corporate control has thrown up strange solutions. Many of the present generation of corporate raiders owe their position less to the verdict of the market on their performance than to the patronage of one man, Mr Michael Milken, who was rebuilding the depleted corporate clientele of Drexel Burnham Lambert with the aid of junk. Small wonder that good companies as well as bad have ended up in questionable hands on both sides of the Atlantic. And while the complaints about Japanese acquisitions are tinged with xenophobia, American and European industrialists have had a legitimate grievance in relation to their Japanese competitors' lower cost of capital.

Draconian proposals

The trouble with handling these complaints at the level of the state legislature is that broader considerations relating both to trade policy and to the accountability of management go out of the window. Pennsylvania's proposals, for example, are so draconian that they would, in the words of the chairman of the Securities and Exchange Commission, Mr Richard Breeden, disenfranchise shareholders and leave incompetent managers free to run the company into the ground.

It is possible to exaggerate the importance of ownership in promoting industrial efficiency. Some companies – British Petroleum is a current case in point – appear to undergo periodic managerial renewal without needing the threat of takeover. Elsewhere, as at General Motors, the capacity for renewal remains an open question. But at the British drinks group Distillers earlier discipline would undeniably have helped.

One of the more welcome features of the corporate picture on both sides of the Atlantic is precisely the growing readiness of institutions to intervene directly to address problems of mismanagement. But to rely exclusively on institutional intervention without the further sanction of hostile takeovers pins too much faith on an under-developed form of discipline. Where populist-inspired legislation against takeovers incidentally deters institutional intervention, it is none the less a step firmly in the wrong direction.

Stefan Wagstyl examines the long slide of the Tokyo financial markets

The cheap money trail that led to a crash landing

Almost every day since the Tokyo financial markets started crashing, earnest-faced Japanese stockbrokers have appeared on television to tell the viewers the worst is over. Almost every day they have been wrong.

The most frightening fact about the Tokyo crash is the length of time it is taking to play itself out. At Dai-Ichi Kangyo Bank, the largest in the world, senior managers meet daily to examine the impact of further falls in equities, bonds and the yen. Mr Tokio Inoue, one of the DKB committee, says the bank cannot start to plan anew until the slide stops. Only then will Japan know where it stands.

Some Japanese are tempted to relate the crash to all that is wrong with Japan – political corruption, isolation in the international community, failure to settle trade disputes with the US and the alienation of the average salaried worker in a country dominated by property owners.

These concerns magnify the sense of unease but the Tokyo crash is primarily about money. Too much cheap money flowed into the markets for most of the second half of the 1980s and drove up stocks and bonds and land prices to levels which could only be justified by the argument that more money was on its way to drive prices higher.

The Japanese authorities allowed this to happen partly because many powerful people were making hay and partly because of pressures from the US to keep down interest rates and stimulate domestic demand. But the authorities could not keep reality at bay forever. In the end the fear of inflation forced them to end the supply of cheap money.

Japanese investors are suffering from an almighty hangover. The Nikkei index has fallen by 27 per cent since the beginning of the year; the yen has dropped over 10 per cent against the US dollar to a three-year low, bonds are down by nearly 20 per cent. Prices in the property market, which is perhaps five times larger in value than the stock market, have yet to move but there are grave fears they might fall for the first time since 1945.

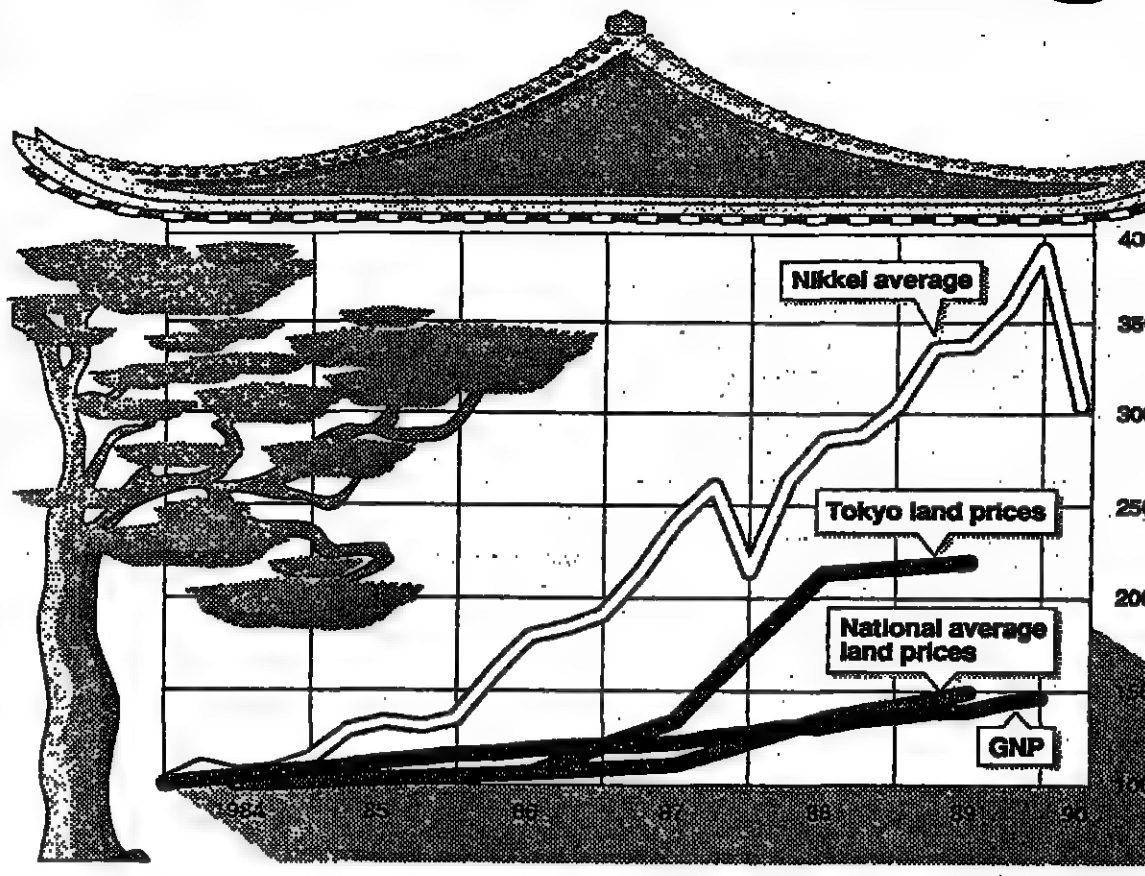
It is not uncommon for the psychological impact of a financial shock to be bigger than its subsequent economic effect. The worst fears of Americans about October 1987 failed to materialise. In Japan, sober-minded economists forecast the country's economic miracle was finished following both the 1974 and the 1979 oil shocks and again after the yen shock in 1985. In each case, Japan emerged stronger.

Looking around Tokyo, it is difficult to see why people should feel so despondent. In the worst financial crisis since the 1960s, there have been no big bankruptcies, no mass dismissals, no closures. The shops are still full of the highest-priced luxury goods in the world. Spring has come and the cherry blossoms are in bloom.

The worst most Japanese economists predict is a slowdown in economic growth from a forecast 4.5 per cent this year to about 3.8 to 4 per cent, combined with a slight increase in consumer price inflation, perhaps to 3 per cent. Three years into the longest sustained expansion since the 1960s, Japanese industry is still pouring capital into new plant and new products. Higher interest rates may bite under-capitalised groups. But the most common problems are labour shortages – the result of success not failure.

Nevertheless, Japanese Cassandras are right to warn that there is trouble ahead, if not for the economy as a whole then for the financial markets in Japan and overseas.

Much depends on what the Japanese authorities do next. Early last year, the Bank of Japan, fearing that inflation in asset prices would fuel general inflation, started raising rates and lifting the Official Discount Rate from its all-time low of 2.5 per cent in stages to 5.25 per cent.



The central bank would have moved faster had it not been for strenuous opposition from the Ministry of Finance. So while it has sent investors running for cover in stocks and bonds, the central bank has failed to stop the yen's decline.

The authorities are now in a bind: on the one hand, higher rates are needed to stabilise the yen and on the other, they would almost certainly prompt a further fall in equities. An early chance to end the uncertainty could come at a meeting of the finance ministers of G-7 countries in Paris this weekend. Japan would like to persuade the US and West Germany to lower rates while simultaneously raising its own. But agreement seems unlikely since both Washington and Bonn are concerned about inflation. Japan looks to be on its own.

Economic fundamentals could eventually come to the authorities' rescue. The weakness of the yen is boosting exports. The current account surplus in the 1990-91 financial year, which started this month, could rise again after a steep decline from 1988 to 1989. Salomon Brothers, the US investment bank, expects a surplus of $50bn against $47bn in 1989.

Capital outflows, which have done so much to undermine the yen, are slowing down. In the first quarter of 1990, net purchases of foreign bonds were only about $3bn, against $32bn in the last quarter of 1989. Salomon Brothers estimates that in the 1990 financial year, long-term capital outflow could fall to $70bn from $105bn in the year just ended. One reason is that Japanese bonds yielding more than 7 per cent are attracting overseas buyers. The crash will also force Japanese institutions to slow down their foreign investment as their clients take funds out of risky securities-related instruments and put them in safety-first bank deposits.

It is not uncommon for the psychological impact of a financial shock to be bigger than its subsequent economic effect

Nevertheless, the yen's salvation is by no means imminent in the view of Tokyo foreign exchange brokers. Nor is it clear that the authorities can quickly cut interest rates if the yen recovers, given the central bank's concerns about inflation.

The big question is how far the stock and bond markets may fall as investors adjust to the changed environment. Mr Inoue, of DKB, calls the fall in equities a "bottomless slump." The calculation which most scares investors is that shares still look expensive in comparison with bond yields. The last time Japanese government bonds yielded more than 7 per cent was in the early 1980s, when the p/e ratios on equities were typically around 30. Today they are about 40. A fall to 30, would require the Nikkei to drop from yesterday's close of 28,442 to 26,000, or even 22,000 depending on how the sums are done.

To make matters worse, the deregulation of Japan's financial markets has expanded the range of alternative investments. At home, banks and the post office pay market-related rates on all but the smallest investments. Overseas, Japanese institutions and individuals are becoming more expert at seeking out profit.

Not everyone is pessimistic. The main argument for expecting a recovery is that Japanese interest rates may fall back in response to a slowdown in the economy which would ease inflationary pressures and give the central bank more room for manoeuvre. Goldman Sachs, the US broker, thinks this will happen and forecasts a rebound in the Nikkei index to 37,000 by the end of the year.

Stockbrokers may not recover so fast. The Big Four companies are likely to announce record profits for the last financial year but profits in 1990-91 seem certain to fall sharply. Investors are staying away from the market. As in London and in New York, the effect of a crash could well be to depress stock market volumes more than prices.

Underwriting income will suffer. The Big Four brokers in mid-March made an informal agreement to halt new issues for a month following cancellations. For the three months to the end of June, 13 equity issues are planned worth Y116bn, against 123 issues worth Y2,403bn in the three months to March.

After bumper profits for most of the 1980s, large Japanese brokers will survive a lean year far better than their counterparts on Wall Street. However, some of the 200-plus small brokers may be forced to cut back or close down. The crash may also prompt a shake-out among the 60 foreign securities companies. Mr Randy Harris, president of Merrill Lynch Japan, the US broker, says: "It will accelerate a process which has already begun and which is to some extent inevitable."

Among other financial companies, banks are suffering badly. The Nikkei's fall has cut the value of their securities holdings, so reducing the size of their capital. This will make it more difficult for them to meet tough new international rules on balance sheet strength published by the Bank for International Settlements. Banks have raised large amounts of new capital in the last two years but this will become more difficult. So banks may have to slow down at home and overseas.

Large banks, institutional investors and industrial groups, however, are almost certainly strong enough to cope. Equities account for just 9 per cent of the funds of financial institutions, according to Nomura. The casualties will be exceptions; companies such as Tateho Chemical which had to be rescued in 1987 after it suffered heavy losses mismanaging bond futures investments.

Bankruptcies are more likely to be individuals and small companies and possibly modest-sized institutions which lent them money. Total stock bought by individuals on margin (credit extended by brokers) exceeded Y10,000bn at one point this year. Several speculative investment groups are already in trouble.

The most worrying question is what might happen if the fall in stocks spreads to property. The same flow of easy money which fuelled a three-fold leap in equities in 1985-89, caused Tokyo land prices to double. Bank loans rose from a steady 32-35 per cent of gross national product to 48 per cent, with much of the excess going into land.

It seems logical to expect that land prices will now fall. But Japanese bankers answer that property prices have not fallen since the war. The market just goes very quiet during times of financial uncertainty.

Mr Akio Mikuni, president of Mikuni credit rating agency, thinks this time things may be different. He says prices could fall by half as speculators are forced to sell by higher interest rates and by fears of government plans to reform land taxes.

Mr Mikuni does not foresee a collapse: "There will be some black spots among smaller financial institutions but no failure across the board."

Others are not so confident, particularly about the exposure of trust banks. They specialise in long-term lending, are second in size only to the top city (commercial) banks and they count real estate finance as a main business.

Moody's, the US credit agency, yesterday down-graded long-term obligations of Yasuda Trust and Banking from aa3 to A1. This is nowhere near the danger level. But Moody's comments are significant: it is concerned about "the continuing exposure of Yasuda and other Japanese trust banks to Japan's domestic real estate market, particularly in the light of the recent stock market decline and interest rate hikes."

The extent of the damage the Tokyo crash will cause is impossible to quantify but there is every sign that its effects will reverberate around Japan for years. Mr Inoue's committee at DKB has good reason to meet every day.

Back home in Budapest

■ Price Waterhouse may be a mighty force in the world of accountancy, but after last year's wave of mergers between the big international firms, there is probably only one country where PW is indisputably number one: that is Hungary.

The firm has had a presence in Budapest since 1988, and now employs 50 full-time staff. They are involved in scores of large projects, advising the Hungarian government on accounting issues and helping to prepare Hungarian companies for privatisation.

The General Manager of the Budapest office, and chief architect of the firm's growth in Hungary, is Les Bonnay, a 39-year-old consultant who used to work for PW in Toronto. He speaks English with a strong Canadian accent, but his Hungarian sounds perfect – at least to untutored ears.

He says that it is an "absolute fluke" that he has ended up back in Budapest. Born there in 1951, he left five years later during the 1956 Soviet invasion, walking across the border to Austria. After a spell in a UK refugee camp, he went off to Canada. At that age, he reflects, he had little thought that he would one day return to head up an accountancy practice.

He went back in 1973 to see the relatives that he had left behind. He found not only uncles and cousins, but love at first sight: he met his wife-to-be at a Budapest art gallery. When he returned to meet her parents in 1974, he was expelled by the Hungarian authorities after two days. His fiancée went to Canada to join him.

In time, it seemed doubly unlikely that he would ever go back: his wife had skipped her visitor's visa, and his career was steaming ahead in Canada. But in 1987 he found himself in Budapest again, working on a consultancy project for the Montreal office.

He decided to stay – a move which looked like "career suicide" to his Canadian colleagues. In retrospect, it was a smart decision. As a leading adviser to the Hungarian government on privatisation, his relations with those in authority are somewhat better than in 1956 and in 1974. And the art gallery where he met his wife is now a PW audit client.

OBSERVER

Life goes on

■ The Tokyo stock market may be crashing, but not enough to moderate the sumptuous style of Japanese business receptions. Tuesday noon was the turn of Kokusai Securities, a middle ranked broker controlled by Nomura, to receive the great and the good in one of Tokyo's finest hotels.

Kokusai, like most Japanese brokers, must be suffering from the slump in prices in the past three months. Yet it made no concession to the gloom generated by the the slump or by a heavy storm gusting through Tokyo yesterday at the end of the cherry blossom season.

Kokusai's officers smiled and bowed and smiled and bowed: a quartet of young lady violinists in pink frilly frocks played Haydn, and an endless supply of Western and Japanese delicacies were offered up to the 2,000 odd guests who, having created a gigantic traffic jam outside the hotel as they arrived, gradually worked their way through the huge reception room.

"It is so nice to have this party in cherry blossom season," one Kokusai official said in reply to a vague opening gambit about the market. Hisayoshi Kato, executive managing director, offered a bit more substance. "We are off to a bit of a slow start, aren't we?" he said with a smile. Then everyone returned to their offices to discover that the Nikkei average had dropped another 900 points at the opening of the afternoon session.

"We may have to axe our poll tax collection service."

Big Jack

■ Ireland is in the World Cup football finals starting in Italy in June – the first time the country has gone so far. But not everyone is looking forward to it. Employers have been warned about probable loss of production due to absenteeism, early holidays and workers watching TV.

So the Dublin Chamber of Commerce is organising a seminar to advise managers on "how to motivate and satisfy their employees until the soccer fever abates". The main speaker is Jack Charlton, the English manager of the Irish team who rates as the most popular man in the country.

Ireland play England in the first round of the cup on June 11. If the Irish team goes on to greater things, even the employers will probably give up work. Irish interest in the meeting of the European Council in Dublin on June 25 could also be curtailed by events in Italy.

Independent bug

■ Someone has been bugging The Independent. Shortly before the launch of its Sunday paper, something very suspicious was noticed in the wiring. British Telecom, which has a special sweeping service used mainly by government departments, was called in to investigate. And indeed there was a bug, though it had been de-activated.

Andreas Whittam Smith, the paper's editor, declined to become very concerned about it. He takes the view that there is too much secrecy anyway, and dummies of the new Sunday paper were available to anyone who wanted to get hold of them. Nevertheless, says Whittam Smith, security at The Independent has since been tightened.

None too green

■ The Royal Botanic Gardens at Kew and the Gaia Foundation have been sending out invitations to the green and the good to attend a gathering on The Forest People as Guardians of the Rainforest next week. The card says RSVP but offers no telephone number, only a fax number. This presents a problem for the purest of the greens because fax machines do not use the right kind of paper.

Just missed

■ Did you hear about the travelling salesman who ran out of petrol one night on a lonely country road? He walked to the only house in sight – a farmhouse – and asked if he could have a bed for the night. "Well, yes," the farmer said, "if you don't mind sharing a room with my young son." "Oh, dear," said the salesman, "I'm in the wrong joke."

ECONOMIC VIEWPOINT

UK measures up to Gemu and Eurofed

By Samuel Brittan

Those who dislike European monetary developments have seized on the problems of Gemu (German Monetary Union) as a fresh obstacle both to Britain becoming a member of the Exchange Rate Mechanism and to the development of Emu (European Monetary Union).

They say that a period of monetary turbulence in Germany will make the D-Mark a less reliable monetary anchor, and the EMS a less attractive prospect. They also argue that the strains of absorbing East Germany will take up so much energy that the wider Emu will have to be shelved.

In fact, the analogy between Gemu and Emu is largely misplaced. As became clear at a multinational meeting of Euro monetary pundits at Ditchley Park last weekend, the name Gemu is largely a misnomer. For what is now being negotiated is not a monetary union but the extension of the D-Mark to the whole country, with the Bundesbank in charge. A better, although still imperfect, comparison for Gemu would be with the absorption of the Saarland (formerly occupied by the French) in the 1950s.

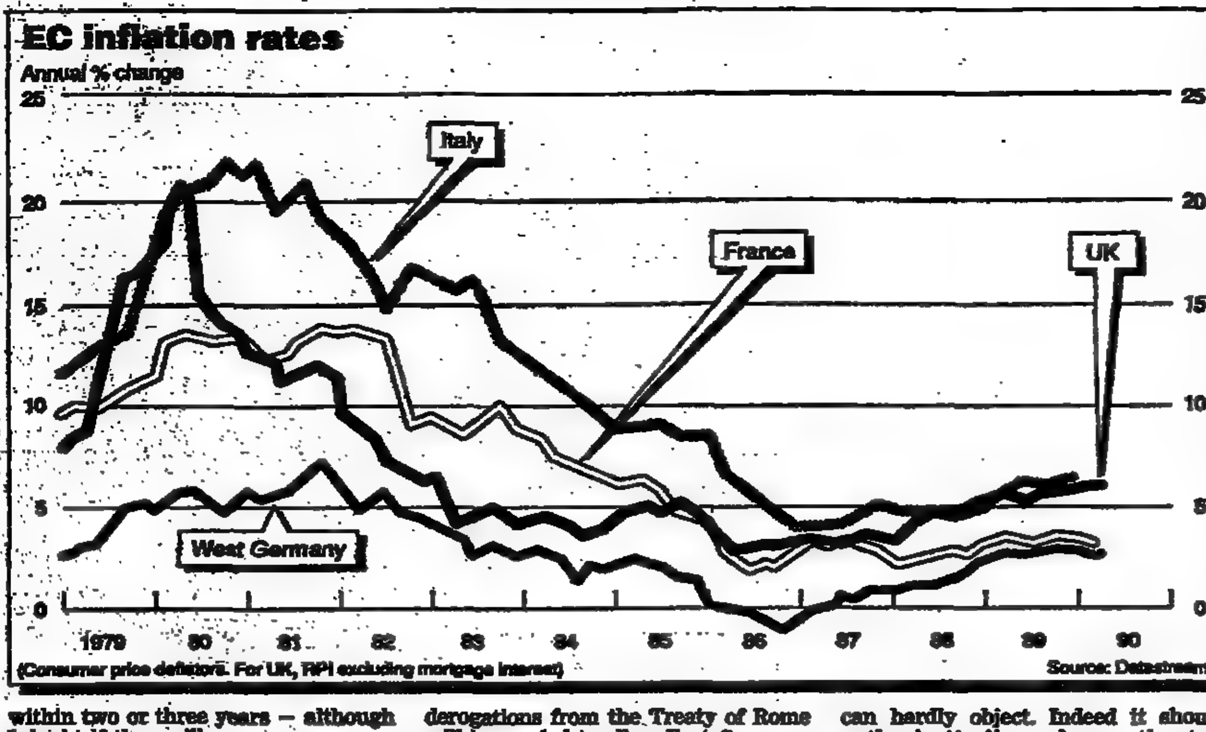
The use of the supposed inflationary impact of Gemu as an argument against Britain joining the EMS is a transparent debating trick. It has hitherto been said that the gap between British and German inflation rates is too wide to join the EMS. Now it is being said that a D-Mark anchor will be too inflationary. It is heads I win and tails you lose.

In any case, the inflationary threat of Gemu is much exaggerated. The East German population is *about* a fifth of that of the whole country. As output per head is only about a third, the East Germany economy represents about a thirteenth of the total.

The conversion of East Marks into D-Marks is the least of the inflationary threats. Readers of this column have been warned against taking earlier talk of one-for-one conversion at face value. Now we know that the conversion offer at parity only applies to a limited amount of small savings – the exact size of which will be a matter of further argument. The addition to the Federal Republic's broad money balances now looks like being about a tenth, which is on the same scale as the addition to productive capacity. The main scope for inflationary pressure is entirely different, and comes from the capital needs of East Germany and the call on Federal funds for social and other purposes at a time when there is strong resistance to any increase in tax levels. The need to re-equip East Germany will work like any other force, boosting investment relative to domestic saving.

It is often forgotten, however, that Germany has a reservoir of savings denied to most other countries: namely a large current payments surplus, which amounted last year to nearly 4½ per cent of gross domestic product. Mainstream economists and Group of Seven ministers who have been complaining about the supposed problem of international imbalances should be delighted at the prospect of the German surplus melting away within two or three years – although I doubt if they will.

EC inflation rates



(Consumer price deflators. For UK, RPI excluding mortgage interest) Source: Datastream

Of course, resources cannot be switched from exports to construction and infrastructure in the eastern part of the country overnight. It will be up to the Bundesbank to ensure that any short-term pressure on resources is translated into higher interest rates rather than excessive monetary and credit creation.

Gemu is largely a misnomer for the extension of the D-Mark to the whole country

A cautious estimate is that the underlying German inflation rate will be contained at an annual average of 3 per cent over the next five years, with at the worst a peak of 5 per cent in the period of maximum stress. My offer to present half a dozen bottles of good quality *sekt* if Britain does as well, to the first person who points this out to me, holds good.

The absorption of East Germany into the social market economy of the West will require time. Transitional derogations from the Treaty of Rome will be needed to allow East Germany to compete. It is possible that all these efforts will postpone the date at which members are prepared to put the third and final stage of Delors into operation. (This is the stage which the new Community central bank, which has been christened Eurofed, takes over responsibility for monetary policy from national central banks).

But the date of implementation of the full Emu should be sharply distinguished from the negotiations to draft the Treaty Amendment establishing Emu, due to begin at the Monetary Conference this December. If anything, the desire to reassure partners about its commitment to a "European Germany" will make the German Government hasten to agree to the Emu Amendment in 1991.

Meanwhile, the new Brussels Commission Paper should have taken the edge off British opposition to Delors. The Commission has suggested abandoning centrally agreed guidelines for national budget deficits. Instead, the idea is that each country should set out its own fiscal objectives in a Medium Term Financial Strategy – something to which the British Government, which pioneered the MTFS, can hardly object. Indeed it should enthusiastically welcome the two remaining hard core fiscal principles. These are: a) No monetary financing of budget deficits and b) No automatic bailing out for member states in budgetary difficulties.

The heart of the difference between British politicians of all parties and the other 11 countries thus comes down to the Eurofed. The Ditchley discussions showed that the British Treasury's "evolutionary approach" could be developed into a perfectly reasonable plan for monetary union. The main development required is that permanently fixed exchange rates should become a definite aim to be achieved after Stage One and not merely a possible option.

The drive to Eurofed is political rather than economic and nearly all members are committed

If evolution went that far, some informal institutions would be required for concerting monetary policy. Indeed, the nucleus is already there in the Committee of EC Central Bankers, to be chaired by the Bundesbank's Mr Karl Otto Pöhl for the next three years. The Committee has already inaugurated studies on concerted guidelines for monetary policy.

For the final stage, the Delors Plan has the advantage over the British Treasury's of greater permanence and therefore credibility. *For it is more difficult to leave a monetary union than to abandon a pledge on fixed exchange rates.* On the other hand, there is a danger that the Eurofed, which would have on its Council representatives of all 12 Community countries, would be more inflationary than the Bundesbank. The competition – not so much between currencies but between monetary policies – envisaged by the British Treasury paper could well be more successful in establishing low inflation.

But if one thing became clear at Ditchley, it was that these two plans and other ideas (such as Prof James Meade's forthcoming *Blueprint for a European Central Bank*) would not be compared on their technical merits. The drive to Eurofed is political, rather than economic; and the supranational element is precisely why nearly all Community countries are already committed to Delors.

Does that mean a parting of the ways at the Monetary Conference? Not if the British Government plays its hand with reasonable skill.

There are two models which it could follow. The first is on the unfortunate lines of the British response to the Treaty of Rome: which was not to *take part in the negotiations and not* to sign the Treaty, but to apply to join many years later when the rules had already been written. The second model is that followed with the European Monetary System, where Britain is formally a part of the System, has attended all the initial and subsequent meetings, but has postponed for more than a decade joining the Exchange Rate Mechanism at its core.

If this precedent were followed with Emu, the British Government could play a full part at the forthcoming conference and in the last resort try to introduce its ideas as variations on Delors, rather than as alternatives, but not try to exercise a veto if the consensus favours the original version. There is, in any case, likely to be a two or three speed track. For other signatories of the amendment, such as Greece and Portugal, are unlikely to be able to take part in Eurofed at the same time as the core Community countries. Britain could similarly reserve its position on the timetable, while signing the Amendment.

By the time Eurofed is ready to take over from national central banks, British politicians might even have come to see the vanity of a fictitious monetary sovereignty. Indeed they might come to see that they had no impact on the EC Central Bankers' committee in a purely EMS set-up and start to clamour for its replacement by the Eurofed, which would have ultimately to be responsible by one route or another to democratically elected representatives.

BOOK REVIEW

Ironic end to a bitter fight

GOLDSTRIKE: THE OPPENHEIMER EMPIRE IN CRISIS
By Bill Jamieson
Hutchinson Business Books. £15.95

Minorco's bid for Consolidated Gold Fields was, at the time, Britain's biggest, loudest, longest, fiercest and costliest takeover battle. It valued Gold Fields at about £3.5bn, lasted nine months from September 1988 and, in the first 100 days, Gold Fields spent £16m to raise a political outcry around the world about Minorco's South African parentage.

During the course of the battle, the contenders spent £250,000 a *day* on high-priced "advisers" in the UK and the US. Gold Fields at one stage had 46 American private eyes on its defence payroll.

Gold Fields was fast off the mark because the bid was also the worst kept secret in British takeover history. In Johannesburg, three days before it was announced, the price of Gold Fields' shares had soared to 15 times its normal level. There was a surge of option dealings all pointing to the crucial date. At one stage 8m shares, representing 4 per cent of Gold Fields' issued equity, were under option in the market.

Who was behind this activity remains a mystery, unlikely to be unravelled by a UK Department of Trade and Industry investigation still in progress.

The bid had the City of London in contortions about a number of important issues. For example, near the end, when Minorco had acceptances for 54 per cent of the Gold Fields' shares but the target company's board refused to give in, not one accepting institutional investor raised its voice in public protest, nor did any of the independent Gold Fields' directors speak up to defend the company's remarkable stance.

In this book, which is mainly about the bid, Bill Jamieson, deputy City editor of the Sunday Telegraph, concentrates on telling, in fascinating detail, the story of how Minorco snatched defeat from the jaws of almost certain victory, rather than debating the issues raised.

However, he does dig deep into the background of Mr Harry Oppenheimer's patriarchal Anglo American Corporation-De Beers group, 60 per cent owners of Minorco. Jamieson concludes that Anglo faces three crises: one of where to invest, one of management succession, and one of how it should handle South Africa's rapidly-changing politics.

He describes how the Oppenheimer family keeps control of a complex web of companies including the world's largest gold producer, the biggest platinum producer and one which controls world diamond trade, yet owns only 8.3 per cent of the master company, Anglo American.

Oppenheimer made his first strike at Gold Fields nine years before the bid because he wanted to continue to dominate the South African gold industry. He built up his first 29 per cent shareholding by stealth and then by a "dawn raid," methods heavily criticised later by the UK authorities.

All this came back to haunt him at the end of the Minorco bid, which failed because a New York judge refused to remove an injunction while he considered whether it was in the US public interest for the world's largest gold producer to take over the second-largest. Stripped of its rhetoric, the judge's opinion was that Anglo was not to be trusted because of the way it built up that first stake in Gold Fields.

Gold Fields eventually fell easily into the lap of the Hanson conglomerate. Jamieson reveals the reason: Gold Fields had previously invited Hanson to play the White Knight and come to its rescue.

Ironically, Lord Hanson, whom Jamieson calls "the executioner in the silken gloves," is dismembering Gold Fields so one of the world's biggest concentrations of mining expertise has been abruptly broken up.

In contrast, Minorco wanted to build up Gold Fields.

It was, says Jamieson, the worst outcome for everyone except Hanson.

Kenneth Gooding

LETTERS

Telephone rates and the UK review

From Mr Iain Vallance.

Sir, Hugo Dixon's comprehensive survey of international accounting practice in telecommunications ("Telephone users over-charged by world cartel operation," April 3) raises a number of interesting issues, some of which go well beyond the immediate subject of his article.

British Telecom is, we believe, one of the few international telecommunications operators that would be happy to see the accounting rates come down. But these rates are largely determined by national governments, not by independent operators.

Historically, the relatively high profitability of call charges – particularly international calls – has been used by national monopolies (normally state-owned) to subsidise local network costs, thus keeping down exchange line rental charges.

With the introduction of competition, some steps have been taken, particularly in the UK and the US, to reduce what is, *in effect*, a significant subsidy for the majority of telephone users.

However, there remains a very large imbalance between call and rental charges, with the latter falling well short of what is necessary to cover the basic cost of installing and maintaining the local network.

This imbalance distorts the effect of competition across the board because national operators have to subsidise local networks by overcharging for calls.

On the one hand it allows competitors who concentrate on long distance and international services selectively to undercut the national operators, without the latter being able to respond on price. On the *other* hand, it inhibits the establishment of alternative local networks.

We are expecting that this fundamental issue will be tackled by Government and regulators in the forthcoming review of telecommunications liberalisation in the UK.

Iain Vallance,
Chairman,
British Telecom,
81 Newgate St, EC1

The present position of the industry

From Mr Gregory Staple.

Sir, Hugo Dixon's article on international phone rates (April 3) contains a serious error regarding my work on industry output and profits.

My forthcoming *study* for the London International Institute of Communications (IIC) does estimate that cross-border traffic on public voice circuits will total approximately 30bn minutes in 1990 with revenues of $30bn. However my estimate of profits, based on company reports and industry costs, is of the order of $10bn, not $20bn as the article wrongly states.

Industry profits cannot be directly equated with industry "overcharges"; that is Mr Dixon's inference, not mine or that of the IIC, as his story implies.

Reform of the international telephone rate structure is in order. But we shall not be able to judge the extent of progress in this area unless the industry's position today is fairly reported.

Gregory Staple,
Director,
IIC Telecommunications Forum,
The Willard Office Building,
1455 Pennsylvania Avenue, NW,
Washington DC

Cézanne, Renoir and a road pricing system

From Mr Tom Schur.

Sir, I am not surprised by the amount of confusion and discord Joe Rogaly describes ("Tied up in knots over road pricing," March 9) when a concept like road pricing comes under discussion. Every pricing suggestion made so far has a certain arbitrariness about it that most of us resent.

Like Mr Rogaly, I love driving about in motor cars. But I also hate getting stuck in traffic jams and I hate even more missing appointments and even flights because I cannot find a slot to stow my car when we have to separate.

I also love paintings. Our walls at home are covered with canvases but there is not a Cézanne or a Renoir *among* them. I find them too expensive but I accept that their rarity value has established "market prices."

I mention these points because, like most of my fellow citizens, I would only accept road pricing if I knew that I was competing for a bit of road space almost as valuable to me as a Cézanne or a Renoir.

A free market determines acceptable prices according to the benefits perceived by the consumer. The price of a commodity in the market is really quite independent of its cost. Let the public compete for urban space once it becomes scarce, and the "market price" will establish itself.

Once the amount of traffic throughput, or of available parking space, has been established clearly, it must become the criterion around which the control which establishes the price must be set.

Because of modern computers it is now possible to use this principle for car parking and a *patent application* is pending in Switzerland. The detailed engineering has been done and we hope to launch a prototype installation soon.

The computer sets the parking fee according to the "rate of occupancy" of a carpark. If the controls are set to achieve an occupancy of 90 per cent to 95 per cent, the utilisation of the car park is optimised. Such full utilisation results not only in low average parking fees but also in a maximum profit to the carpark operator. In addition it assures some vacant parking spaces for those who have to park "at any price" – where that price can go up to a deterrent rate.

The system can also be extended to pricing journeys into an urban conurbation where the charge levied at each electronic eye can vary according to the traffic flow so that the system takes all the traffic it can digest but is prevented from getting choked. An alternative is the rationing of parking space by price mechanism. Such a parking system would ensure that everyone entering the area could find a parking space and the free market would determine the cost.

Tom Schur,
Chesa Islas,
Samedan,
Switzerland

Export credit insurance

From Mr Adrian P. Hewitt.

Sir, Mr McGregor pretends (Letters, March 29) that he cannot understand what I am "going on about," yet he seems confident enough to allege that I am against development and that the Treasury is set on sabotaging the UK economy.

Of course export credit insurance is necessary, just as credit is a necessary part of the financing of development. Where guarantees have to be supplied by the state, rather than through the private insurance industry, public funds should be employed to offset risk and not to distort the practice of competitive bidding. That way developing countries get best value and this is where our interest lies.

My letter was about the eventual Europeanisation of development assistance. Mr McGregor has not persuaded me this would be detrimental to development, only that he sees petty nationalism everywhere. It was odd, therefore, that he should accuse the Treasury of "shooting the economy in the foot."

As I understand it, soldiers inflicted this minor mutilation on themselves in Flanders as a means of self-preservation. Some of the cases probably occurred within earshot of Brussels. Is Mr McGregor advocating more intra-European trench warfare instead?

Adrian P. Hewitt,
Overseas Development Institute,
Regent's College,
Regent's Park, NW1

Cutting cackle

From Sir Charles Villiers.

Sir, Congratulations on your leader ("A cautious move on vouchers," March 28). I had warned of problems arising from inherited attitudes, such as the school-leavers' urge to maximise instant pay and managerial lack of interest in training (Letters, December 12 1989), but I was horrified to read of the CBI's anxieties.

The news from the Director-General of a real threat to the Training and Enterprise Councils – the vehicle for training vouchers – due to infighting in Whitehall, is terrible. May I urge Nicholas Ridley to use his immense clout to cut the cackle.

Charles Villiers,
Blacknest House,
Sunninghill, Berkshire

FINANCIAL TIMES
Thursday April 5 1990

Latin America makes a break with the past

Stephen Fidler on how policy-makers are reversing their antipathy to private enterprise

IF it is to believed, the rhetoric which has emerged this week in Montreal – where the Inter-American Development Bank (IADB) yesterday concluded its annual meeting – suggests a shift in economic attitudes has swept the whole of Latin America.

Beleaguered by the eight year old debt crisis which has cut off virtually all sources of commercial debt finance, Latin America must attract loans from the development institutions, the World Bank and the newly enlarged IADB. But its governments must also increasingly seek foreign equity and project investment and, more significantly, tempt their own citizens to resume domestic investment.

As a result, economic policymakers have turned their former antipathy towards private enterprise and foreign investment on its head. They must – in the face of accelerating inflation caused largely by expanding budget deficits – shrink the state's involvement in economic activity. The urgency of their task is intensified by the fierce international competition for

Angel Gurria: meeting is a first for Mexico

investment and international attention on the newly emerging economies of eastern Europe.

Yet this commitment – and many long-term observers of Latin America remain sceptical of its depth – should not be seen as a Thatcherite retreat of the state across a broad front. As Mr Miguel Urrutia, a former Colombian planning minister, noted, the task is to redirect the state. In his own country, government control over large areas of its territory is at best tenuous and the state needs to assert itself over lawlessness.

In most countries, the plight of the poor has deteriorated over the last 10 years. They have borne the brunt of the economic adjustment programmes and social problems have deepened significantly over the 1980s.

Delegates repeatedly emphasised that social welfare systems must be reorganised to benefit the poor rather than the middle class. They also called for taxation systems to be reformed to enlarge the net of taxpayers and stamp out evasion.

The high-risk economic shock programme of the new Brazilian Government provides an example of this mix of liberal economic attitudes to trade, enterprise and the budget deficit and a "left wing" commitment to legitimise the programme by making sure all sections of society, in particular the rich, bear the costs.

The emphasis on encouraging private enterprise has also been accompanied by a scaling-down of the rhetoric on foreign debt. There are a number of reasons for this. For example, it lacks credibility for some countries, such as Argentina, to blame foreign debt for its economic plight when it has not been servicing it for years. Others, such as Mexico, can, if all goes well, look to a future beyond the debt crisis, thanks to the Brady initiative which aims to provide international support for a reduction in debt burdens.

In a speech at the weekend, Mr Angel Gurria, the Mexican Finance Ministry official who has been responsible for Mexico's foreign debt negotiations for the past eight years, remarked that this was the first IADB meeting for years in which the Mexican representatives could think beyond the debt issue. He was speaking after Mexico's Brady-inspired deal was concluded last week with the exchange of $44bn of bank loans for concessionary bonds.

Mr Gurria is an optimistic man. While the deal offers the possibility that Mexico can put the debt crisis behind it, it provides no guarantee. If things do not go well, the next rescheduling will be complicated by the structure of the one just completed.

Another category of country is even closer to putting paid to the debt crisis. Colombia – which has never rescheduled, but has suffered from the poor image of the whole continent – and Chile are both countries where new loans should be available if bankers deliver on their word. Significant difficulties remain ahead for both countries, but a return to normal relations with foreign creditors could be just a year or two away.

Although there is still much uncertainty about the depth of commitment to economic reform in Latin America, all of this signifies an important break with the recent past. The "contagion" which blighted all Latin American debtors is gradually lifting. Creditors and investors are increasingly perceiving differences between the countries of the region. By doing so, they are signalling the beginning of the end of the debt crisis.

Bulgaria's debt difficulties worsened by banks' stance

By Stephen Fidler in Montreal

A LACK of co-operation by international banks over Bulgaria's foreign debt exacerbated the country's shortage of foreign currency and was in part behind a decision announced last week to freeze repayments on its international debt.

According to a message to the banks from the Bulgarian Foreign Trade Bank, the main government borrower, the country's payments difficulties were worsened by the "abstention by a number of financial institutions from co-operation."

The Bank was temporarily freezing principal repayments from March 29, according to the message, relayed by telex last week. "Our efforts will be concentrated on ensuring regular interest payments," it said.

Bulgaria's foreign debt is estimated at about $10bn, of which about $6.6bn is owed to foreign banks. About a fifth of the bank debt is in the form of short-term credit lines. Many of these credits were added on in the last three years, during which time the country's debt rose from about $6bn.

Bankers said the Bulgarian problem would increase international banks' discomfort about lending to eastern Europe in general, even though they appeared to be partly to blame. It would make it even less likely that banks would consider fresh credits, even if governments regarded these as desirable. Poland is currently in talks with banks about a rescheduling of its debts, with one quarter of its $40bn foreign debt owed to commercial banks.

The Bulgarian message painted a picture of a "difficult and painful" economic crisis. National income shrank 0.4 per cent last year, with agricultural production declining. Inflation accelerated, while foreign trade dropped by 8.1 per cent compared with 1988.

"The limited export earnings and severe shortage of convertible currency led to the increase in the external debt to critical figures," it said.

New economic measures would stop a further increase in the international debt and help towards an eventual fall. But because of a bunching of repayments this year, it was impossible for Bulgaria to meet its economic and monetary objectives and continue with full payment of its debts.

It proposed discussions with individual banks and said that Bulgaria would start government-to-government talks to seek possible solutions.

Belgian king gives up throne for a day

By David Buchan in Brussels

KING BAUDOUIN of the Belgians is due to get his throne back shortly after 3pm today, after stepping down for a day so that a controversial abortion law which he had refused to sign could be passed.

But the refusal by the staunchly Catholic and sadly childless king finally to sign into law an abortion measure passed by both houses of the Belgian Parliament has led to calls that he should do more than just take the day off.

Article 82 of the Belgian constitution allows the government and parliament to take over "if the king finds it impossible to reign." The only previous resort to this was in May 1940 when Leopold 111, Baudouin's father, surrendered to the Germans, much to the fury of the retreating Belgian Government.

Yesterday's statement by the Martens Government said King Baudouin had given his agreement that Article 82 should be used again. The King's conscience would not allow him to sign the abortion law, but at the same time he had "insisted that this should not block the proper functioning of democratic government."

King Baudouin, deeply conscientious and with little more glamour than the average bank manager, has studiously rebuilt royal prestige over the past 39 years, which have been marred for him only by several miscarriages suffered by his Italian wife Fabiola.

Although there hardly seems a chance that the Chamber of Representatives and the Senate will fail to do the Government's bidding and vote Baudouin back, even the king's sympathisers have complained that the constitution has been bent and the royal prestige, a unifying force in a linguistically divided country, has been dented by a bit of fast constitu-

King Baudouin: refusal

tional footwork.

Mr Guy Spitaels, leader of the French-speaking socialists, the second largest party in the Government, urged constitutional reform to require the king to carry out parliamentary acts, while at the same time rebuffing calls for the king to abdicate.

By keeping his conscientious objection to the abortion measure secret for so long, and by co-operating in a constitutional fix, the king has effectively saved the Government. Had the royal opposition become known earlier, it would almost certainly have broken up the coalition between Christian Democrats led by Prime Minister Wilfried Martens, who have had deep reservations about any legalisation of abortion, and the Socialists who have campaigned for it.

Belgium's new abortion law, which entered into force yesterday by government – as distinct from royal – promulgation, is still one of the strictest in Europe. It allows no abortion after 12 weeks, except in cases of serious risk to the mother's health or certainty of serious and incurable birth defects.

Lithuania outlines stance for independence talks

By John Lloyd in London and Mark Nicholson in Moscow

A SENIOR Lithuanian official yesterday outlined the series of concessions – including a continued Soviet military presfence – which the republic's government is prepared to make in the hope of starting formal negotiations on its independent status.

The package was outlined in London by Mr Algis Cetuolis, spokesman for Mr Vytautas Landsbergis,the Lithuanian President. He said he had been authorised to publicise the Lithuanian position by Mr Landsbergis in the uncensored environment of a Western capital, to which he had flown from Moscow on Tuesday night.

His announcement came as both Soviet and Lithuanian officials described as encouraging the progress of talks begun on Tuesday between a Lithuanian delegation headed by Mr Romualdas Ozolas, the deputy Prime Minister, and Mr Alexander Yakovlev, a senior member of the Soviet Politburo.

Mr Cetuolis said that Lithuania would:

- recognise Soviet "interests" – but not "rights" – in the Baltic states, "maybe including a military presence," together with access to the city of Kaliningrad on the narrow strip of Soviet territory between Lithuania and Poland and use of the Baltic ports.
- retain the present economic relations between the republic and the Soviet Union because "an economic blockade would cause damage for both sides."
- stop further movement towards independence, and "let the idea sink deep into the minds of the people." This would be based, however, on acceptance by Moscow that Lithuania was independent.
- hold a referendum, in which the question might be "Do you approve the decision of March 11?" – when the Lithuanian parliament decreed the independence of the state.

Mr Cetuolis said that "time is on our side," and appeared confident that a resumption of talks would see real progress. However, he also likened the Soviet military presence in Vilnius, the republic's capital, to the 1968 invasion of Prague, the Czechoslovak capital, by Warsaw Pact forces.

He said that "there is a danger of Western governments repeating the mistakes of Munich (the 1938 acquiescence by British and French Governments in the German invasion of Czechoslovakia) – speaking of Gorbachev as the only saviour of the Soviet Union."

He forecast that Latvia would join Lithuania and Estonia in declaring independence in early May and that all three Baltic states would leave the Soviet Union.

The remaining 12, he said, should evolve into a federal state – otherwise the "turn towards democracy" could be lost for the remainder of the century.

Soviet public opinion, however, may back a hard line. A demonstrator in a rally outside of the Supreme Soviet yesterday holding a pro-independence placard was set on by a crowd and beaten.

Thatcher faces HK revolt

Continued from Page 1

tary Group, said: "The Government are about to do something which I never thought I would live to see – legalising an activity which was criminal, namely creating a market in passports."

Mr Tony Marlow, Conservative MP for Northampton North, accused Mrs Thatcher of having a "death wish." He added: "Many people are wondering why the Prime Minister has given precedence to a commitment conned out of her by the elite of Hong Kong over a commitment freely given to the British people at three successive General Elections."

Mr Roy Hattersley, Labour's home affairs spokesman, said the Bill was worse than expected. It would not retain key personnel in Hong Kong and granted citizenship "solely on the basis of wealth, power and influence" and it offered privileged protection from existing immigration rules, at the expense of others waiting for entry into Britain.

Mr Simon Murray, chairman of Honour Hong Kong, the pressure group trying to ensure stability in the colony's future, said the Bill provided "just enough" passports to provide a basis on which to restore confidence.

G7 talks will focus on Japan

Continued from Page 1

growth will be stronger in Europe, leading to a substantial adjustment internally in the next two years, while the movements in the Yen could have a big effect on competitiveness.

A further G7 meeting will be held in a month, associated with the policymaking IMF Interim Committee. The meeting will be dominated by completing decisions on the review of IMF quotas or resources and World Bank issues. These could be tackled in Paris if there is time.

Chinese parliament passes Basic Law

Continued from Page 1

has been attacked because it fails to contain any commitment to universal suffrage and was toughened by China following the crackdown on prodemocracy demonstrators in Peking last June.

The tougher measures include a curb on what China regards as subversion and restrictions on people with full foreign passports holding top government and political posts.

This last provision has been seen as an attack on the British passports package, which Peking claims is an attempt by Britain to undermine its re-resumption of sovereignty.

The vote in Peking was not unanimous. Of a total 2,713 NPC delegates, 16 voted against the mini-constitution, 29 abstained and eight chose not to cast ballots. Some Chinese delegates believed a tougher line should have been adopted towards Hong Kong.

Deng Xiaoping, China's senior leader, called the document a legal "creative masterpiece."

The NPC also passed a formal resolution establishing Hong Kong as a special administrative region. The title is intended to illustrate Hong Kong's special relationship with Peking under the concept of "one country, two systems," devised for the hand over of sovereignty.

At the same time, the NPC announced that a new body would be set up in 1996 to oversee transition to Chinese rule.

The leader and members of the group would be appointed by the NPC and would chose a selection committee to supervise Hong Kong's post 1997 government, including the crucial appointment of the territory's legislative council and first chief executive.

This committee will be drawn from Hong Kong residents, but will owe its loyalty to Peking as they will also have to be members of the NPC, the Chinese Peoples' Political Consultative Conference (an advisory body), or people deemed to have "practical experience" in Hong Kong government.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	16	61	Dallas †	F	13	55	Madeira	R	18	64	Prague	F	8	46
Algiers	S	19	66	Dublin	F	6	43	Madrid	F	10	50	Reykjavik	Sn	-4	25
Amsterdam	F	6	43	Dubrovnik	C	12	54	Majorca	F	18	64	Rhodes	S	19	66
Athens	F	19	66	Edinburgh	F	5	41	Malaga	F	18	64	Rio d'Janeiro		–	–
Bahrain	C	23	73	Faro	C	16	61	Malta	S	18	64	Rome	F	16	61
Barcelona	C	13	55	Florence	C	17	63	Manchester	S	5	41	Salzburg	C	5	41
Belfast	F	5	41	Frankfurt	C	6	43	Melbourne	S	26	79	S'Francisco †	S	11	52
Belgrade	F	19	66	Geneva	F	10	50	Mexico City		–	–	Santiago		–	–
Berlin	F	9	48	Gibraltar	F	18	64	Miami †	S	13	55	Seoul	F	9	48
Biarritz	C	12	54	Glasgow	S	6	43	Milan	F	16	61	Singapore		–	–
Birmingham	F	5	41	Guernsey	S	7	45	Montreal †	R	3	37	Stockholm	Sn	4	39
Blackpool	S	6	43	Helsinki	F	8	46	Moscow	S	21	70	Strasbourg	F	10	50
Bombay	S	30	86	Hong Kong	C	21	70	Munich	C	6	43	Sydney	R	20	68
Bordeaux	F	11	52	Innsbruck	R	5	41	Nairobi		–	–	Tangier	S	17	63
Boulogne	F	7	45	Inverness	F	5	41	Naples	F	14	57	Tel Aviv	S	17	63
Bristol	F	7	45	Isle of Man	F	5	41	Nassau		–	–	Tenerife	F	22	72
Brussels	S	7	45	Istanbul	S	17	63	Newcastle	F	5	41	Tokyo	C	17	63
Buenos Aires		–	–	Jersey	F	8	46	New Delhi	S	28	82	Toronto †	C	2	36
Budapest	C	13	55	Johannesburg		–	–	New York †	C	6	43	Tunis	F	20	68
Cairo	S	25	77	Las Palmas	F	22	72	Nice	S	15	59	Valencia	C	14	57
Cape Town		–	–	Leeds	S	8	46	Nicosia	S	18	64	Venice	R	15	59
Cardiff	C	6	43	Lisbon	C	13	55	Oporto	C	13	55	Vienna	R	10	50
Chicago †		–	–	Locarno	S	16	61	Oslo	F	2	36	Warsaw	C	9	48
Cologne	F	6	43	London	F	9	48	Paris	C	9	48	Washington †	F	4	39
Copenhagen	C	6	43	Los Angeles †	F	16	61	Peking		–	–	Wellington	F	13	55
Corfu	R	16	61	Luxembourg	C	5	41	Perth	F	21	70	Zurich	F	7	45

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

THE LEX COLUMN

Sun puts others in the shade

Forget Barclays or S.G. Warburg. With each set of results, Sun Alliance confirms its standing as the UK's highest-quality financial company. There is a school of thought which says that Sun Alliance's success is merely down to good fortune. Certainly, it may never again get a deal as good as its takeover on the cheap of its rival, Phoenix. Nor can it expect a re-play in the 1990s of investment conditions which helped expand its shareholders' funds by £1.6bn in the last five years, thanks to their high equity and property content. But the view that Sun Alliance has simply been lucky looks less sustainable after yesterday's results and the 6 per cent rise in the shares to 304p.

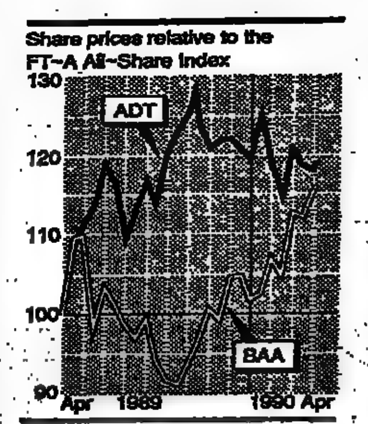
There are three ways of looking at this. The crudest reason for the shares going up is that Sun Alliance's pre-tax profits of £318m, and its £220m estimate of gross losses from this winter's windstorms, were each about £10m better than expectations. A second bullish factor is the remarkable £730m of capital appreciation on Sun Alliance's investments, of which £140m came from its large stakes in Chubb and Commercial Union. Even allowing for weak equity markets since the year-end, the group's solvency margin (net worth as a percentage of premiums) is 111 per cent. It could afford an acquisition with an £800m goodwill write-off, and still be as well capitalised as any of its UK rivals. Its 22 per cent rate of dividend growth looks safe well into the 1990s.

The best way to see the situation, though, is as further evidence that Sun Alliance has the right formula. It stubbornly defends money-spinning areas where it has high market share, like UK property insurance. Beyond that, it is cautious operationally, provides adequate reserves and makes the really big money on its investments. This all sounds very simple, but it is extraordinary how few financial companies do it.

ADT/BAA

It is easy to understand the market's disappointment over ADT's decision to tie up around half its stake in BAA in a £100m convertible preference issue. Other stakebuilders have used the technique before – General Cinema with Cadbury, Murdoch with Pearson, Elders with Allied Lyons – and in no case has a bid yet appeared. The manoeuvre will save ADT's Mr Ashcroft perhaps £7m of his £18m carrying

Share prices relative to the FT-A All-Share Index



cost; but if he were ever to make a full tilt at BAA, he would presumably have to pay the full bid price for the shares covered by the preference issue.

But then, Mr Ashcroft's game plan has been carefully ambiguous from the outset. BAA's articles forbid any shareholder owning more than 15 per cent. With 9 per cent already, Mr Ashcroft could easily muster the 10 per cent needed to force a vote on changing the articles; and with luck, the necessary simple majority of shareholders might then be persuaded of the merits of introducing BAA to the world of capitalism. But without the agreement of the Transport Secretary, the vote would be useless; and unlike Britoil, where the golden share had been wrongly drawn up, or Jaguar, where the company was on the rocks, it is hard to see leverage being brought to bear on the Government in BAA's case at all.

It seems clear that Mr Ashcroft is not out to meddle with the running of the airports proper. But even with non-airport assets such as hotels and property, it is not easy to see how he can bring about changes if he is not allowed a holding big enough to secure board representation. The market, which has learned an uneasy respect for Mr Ashcroft's ingenuity, is left wondering whether he has made a blunder or has spotted something others are missing. BAA's shares, which fell 5 per cent yesterday, could well drift further while the waiting game is played out.

Harrison & Crosfield

It can be a long hard struggle to turn an overseas trader into a coherent industrial conglomerate, as Harrison's measly 1.8 per cent earnings per share growth illustrated yesterday. Slipping out of the FT-SE does not help; the shares have underperformed the index by 25 per cent over the past year. But with the sale of the general trading division and the reduction in importance of plantations, the group is now down to three-and-a-bit divisions with some built in cyclical diversification. A series of acquisitions, such as the Edward Baker pet food business and Moores builders merchants in the US, is aimed at building up critical mass in each sector.

This year will be difficult for the timber and building supplies division, which only improved profits last year because of acquisitions. Food and agriculture are unlikely to repeat last year's 39 per cent profits growth. But there should be further growth from the niche chemicals businesses;and pre-tax profits could edge ahead to £135m-£140m, although earnings will be static because of shares issued for acquisitions. However, Harrison may be content to be perceived as a yield stock for at least the next year. With a prospective return of over 8 per cent, it has considerable appeal on that score. And when interest rates eventually fall, the refined structure should at last produce earnings growth.

Investment trusts

The current enthusiasm for warrants is being exploited by the investment trust sector, as shown by yesterday's rights issue from Paribas French Investment Trust. Trusts are anxious to take advantage of those rare occasions when discounts are narrow; PFIT was trading only 6 per cent below net asset value at yesterday's opening. Warrant issues are designed to keep that discount within bounds, and PFIT, which floated without warrants in 1987, is catching up with other more adventurous souls in the sector.

The interesting question is the effect on existing shareholders who do not want to take up their rights. Warrants offerings are merely delayed rights issues, and investors face potential dilution. But with the rights offered at current asset value, compensation for existing shareholders will depend solely on how correctly markets value the two warrant elements of the nil paid, since the rights have no other intrinsic value. That will be a severe test of the efficiency of a narrow market.

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday April 5 1990

INSIDE

Survival of a once endangered species

At the time of Big Bang, the independent UK merchant bank was a threatened species. To survive, it was supposed to offer a wide range of services in the style of a US investment bank. In 1990, however, many merchant banks have retreated after ill-planned forays into the securities business – and a recent crop of 1989 results shows them making good money. One bank for example, Baring, more than doubled profits last year to a record £66m ($107.9m) before tax. Page 20

US shopping spree

Hawker Siddeley is in negotiations to buy two aircraft turbine engine overhaul and repair service businesses from the US group UNC. The deal, worth up to $150m, follows Hawker Siddeley's unveiling of a sweeping reorganisation aimed at creating more coherent business units. Page 26

Banks head for Argentine sales

Foreign banks, which hold some $40bn of Argentina's $60bn debt, are looking to Carlos Menem's (left) much-heralded privatisation programme for debt-equity conversions on a grand scale. The setting up of a $1.2bn fund this week to handle debt-equity swaps resulting from the programme was, say bankers, a tacit admission that there is only a remote possibility the bulk of Argentina's debt will ever be repaid. Gary Mead reports. Page 24

The more things change...

Malaysian bankers are waking up to a tough reality. Legislation passed six months ago intended to facilitate foreign investment in the country's financial institutions has made little progress. At least eight institutions, including the United Asian Bank, the country's fifth largest, are in danger of becoming insolvent. But was the legislation all it promised to be? Lim Siong Hoon reports. Page 22

Speculators carry the can

During last year's election campaign in Brazil, Fernando Collor de Mello promised his administration would single out speculators for special treatment. He was as good as his word. On March 15, the day Mr Collor became the country's president, he announced a drastic attack on inflation. Two weeks later, the dollar value of Brazilian stocks had dropped 67 per cent from its March 13 value, and the Rio de Janeiro Exchange was talking of closure with daily trading volume at a 20th of its pre-Collor turnover. Back Page

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Brown Boveri	655	+	12
DLW	579	+	29
Didier-Werke	293	+	8
Falls			
Deckel (Fr.)	205	–	7
Karstadt	705	–	17
Springer Vlg Rg	810	–	20

NEW YORK ($)			
Rises			
Coca-Cola	77⅜	+	⅛
Falls			
Archer-Daniels	23⅛	–	⅛
IBM	108½	–	⅛
NYNEX	82	–	⅜
Raychem	27¾	–	¼
Stanley Works	34½	–	2⅛

PARIS (FFr)			
Rises			
Legrand	3627	+	225
SGE	2529	+	13
Schneider	1930	+	54
Sefimeg	539	+	33
Falls			
Compt Entr	357	–	13
Nav Mixte	2150	–	65

TOKYO (Yen)			
Rises			
Daito Wool Sp	1470	+	170
Komatsu Fklt	1310	+	140
Taiheiyo Sea-I	2110	+	270
Falls			
Dai Nippon Toryo	585	–	131
Kansai Paint	910	–	200
Sakai Text Mfg	590	–	181

LONDON (Pence)			
Rises			
Ash&Lacy	110	+	12
BLP Group	44	+	7
Bellwinch	25	+	5
Docus	120	+	12
Eurotunnel Uts	590	+	12
Hammerson A	745	+	28
Hanover Druce	93	+	5
Midland Bk	342	+	7
Reuter	1159	+	16
Sun Alliance	303½	+	15½
Thames TV	523	+	12
Warburg (SG)	498	+	16
W'minster&Cnty	170	+	45
Falls			
BAA	386	–	19
Brent Walker	307	–	31
Carlton Comm	544	–	11
Costain	267	–	11
Hickson Intl	197	–	12
Mecca Leisure	72	–	5
STC	256	–	16

ADT issue will refinance BAA holding

By Andrew Hill and Paul Abrahams in London

ADT, the UK security and vehicle auction group headed by Mr Michael Ashcroft, is to refinance its stake in BAA, the former British Airports Authority, with a £100m ($163.6m) issue of preference stock which can be exchanged for its BAA shares.

The announcement wiped almost £9m off the value of ADT's holding, which has been increased to 9 per cent, as BAA's shares slipped 19p to 386p, and dealers speculated that the chance of a bid from ADT was now more remote.

However, BAA, which was privatised in 1987, is already protected from takeover by the Government's "golden share" and a 15 per cent restriction on any shareholdings.

In a recent letter to shareholders Mr Ashcroft said ADT thought the stake – now worth £174m – "represented sound value", irrespective of the restrictions. However, the group specifically criticised the 15 per cent limit, which is enshrined in BAA's articles of association.

The Bermuda-registered company would not add to those comments yesterday, and is believed to be keeping its options open.

A spokesman for BAA said the company had noted ADT's decision, and added that ADT's actions did not directly affect BAA's position.

Analysts confirmed that the move did not represent any significant change in the stand-off between BAA and ADT. Indeed, some pointed out that ADT now had even more flexibility to increase its holding, adding £100m to the $1.2bn of cash and liquid securities it had on its balance sheet at the end of 1989. ADT's shares slipped 2½p yesterday to 185½p.

The terms of the issue are yet to be announced formally by Credit Suisse First Boston, lead manager for the issue, and its co-lead Barclays de Zoete Wedd. However, the move will not restrict ADT from selling or increasing its stake.

The cumulative redeemable preference shares will have a yield of about 8 per cent, and holders will be able to exchange them for BAA shares from October or November this year until the end of 2005. The exchange price should be set at a premium of between 16 per cent and 19 per cent above the BAA share price on the day the terms are fixed.

Preference shareholders could end up owning about half the BAA stake, if they all decided to exchange, but ADT has the right to offer the shareholders cash equivalent to the BAA share price rather than BAA shares, should it wish to maintain its stake. This type of refinancing is not unusual. It was used by both Associated Newspapers and United Newspapers, to help fund their stakes in Reuters.

Lex, Page 18;
Euromarkets, Page 25

Michael Ashcroft: the BAA stake represents sound value

New era opens for Italy's banking sector

Reforms look set to spur a race for growth, reports Haig Simonian

In one afternoon last week, Italy's bankers received the two pieces of news they had been waiting years to hear. Restrictions on opening branches were lifted, and banking reform legislation leapt a vital parliamentary hurdle, raising the prospect that a key group of public-sector banks might become quoted companies.

Both events could transform the shape of finance in a country where banks, dominated by the State, are becoming deeply conscious of their limitations compared with their big European rivals.

Although few expect a concerted foreign attack on the Italian retail banking market after 1992, many Italian bankers are aware of the ground they must make up if they are to compete effectively with their bigger French, West German and UK counterparts for crucial corporate business.

Dismissed for decades as small, overstaffed and susceptible to political rather than business pressures, Italy's banks have often been forgotten, or, worse still, derided abroad. While Banca Commerciale Italiana (BCI), the most sophisticated and international of the country's 1,200-odd banks, and, more recently, Istituto Bancario San Paolo di Torino, have won respect abroad, last year's $2.9bn letters of credit scandal at the Atlanta branch of Banca Nazionale del Lavoro seemed to sum up the worst in Italian banking.

Yet despite their acknowledged inefficiencies, Italy's banks are in the middle of a profits boom thanks to the country's buoyant economy. Last year's 3.4 per cent gross domestic product growth has been reflected in surging lending and deposit figures in most of the banks reporting their 1989 results in recent weeks. Meanwhile, tight regulation has stifled competition and allowed the banks to retain the fat lending margins which remain the envy of Europe.

Even a drop in earnings at BCI and Credito Italiano is deceptive. Both banks' profits were boosted in 1988 by one-off gains from the sale of part of their shares in Mediobanca, the powerful Milan merchant bank which raised pre-tax profits before provisions by 69 per cent in the second half of last year. Both BCI and Credito Italiano are lifting their dividends, as is Banco Ambrosiano Veneto, Italy's largest private-sector bank following last year's merger between Nuovo Banco Ambrosiano and Banca Cattolica del Veneto.

Last week's news looks set to spur a new race for growth. The decision by the lower house of parliament to approve the Amato law, named after a former Treasury minister, will open the way for big banks such as San Paolo, Monte dei Paschi di Siena and Cariplo – which are foundations – to become quoted companies. Although a majority of shares will remain in public hands, the banks are poised to raise trillions of lire on the bourse.

That will not only allow them to keep ratios in line with the central bank's requirements without holding back on new lending, but also provide valuable new funds for investment, and, possibly, acquisitions. As Mr Marcello Tacci, the managing director of Banco di Roma – one of the smaller, and less well capitalised state banks – noted last week, the arrival of several new names on the Milan stock exchange could also stimulate interest in a bourse which lists barely 200 companies.

Meanwhile, the unrestricted right to open branches should stimulate competition and further growth. The Bank of Italy has been gradually relaxing branching rules since the mid-1980s when banks were forbidden to make any changes without lengthy prior approval.

Italian banking remains divided as a result, with only a handful of banks enjoying nationwide coverage. Even then, networks are small by European standards. San Paolo, with 727 outlets including all its subsidiary banks, has the most branches; BNL, with total group assets of L123,000bn ($97bn) last year, the highest assets. But even then, neither bank ranked higher than 39th in the world, measured by asset size.

Many of the richer Italian banks had been gearing up to take advantage of more liberal branching rules even before last week's key decision. Even smaller regional institutions in wealthy northern Italy are taking advantage. Banca Popolare di Bergamo, a highly-successful co-operative in one of Italy's richest and most export-orientated areas, plans to push through more mergers with smaller domestic counterparts and is already applying to open full branches in Lyons and Munich.

But the biggest winners from the new situation will be big banks such as BCI and San Paolo, based in Milan and Turin respectively, which already have strong roots in the industrialised north, are financially strong and soundly managed. Likewise Monte dei Paschi, the venerable Siena-based institution which dates back to the 15th century, could also gain if it overcomes its native conservatism.

Monte dei Paschi has already been consolidating its dominant position in Tuscany by buying smaller regional banks such as Credito Commerciale of Northern Lombardy and the Tuscan-based Banca Toscana. Surprisingly, both it and San Paolo, which owns majority stakes in Banca Provinciale Lombarda and the quoted Banco Lariano, both Lombardy based, have not incorporated their subsidiaries into the parent company, but run them independently.

The reasons are more complex than just appeasing local pride. Exchanging small stakes in subsidiaries of other countries' banks could be a way for some big Italian institutions – which have been much slower in developing European networks than their foreign neighbours – to gain a foothold in Europe without opening new branches.

For the more ambitious big banks, gaining their own stock market quotes via the Amato law could lead to the possibility of direct reciprocal stakes with other European banks as a way of accelerating essential new links. Late last month, Monte dei Paschi sold a 5 per cent interest in Credito Commerciale, in which Japan's Taiyo Kobe already has a similar-sized holding, to Germany's Bayersiche Landesbank, in exchange for a 10 per cent stake in Bankhaus Aufhäuser, a small Munich-based private bank.

San Paolo is a forerunner in direct stakes. Last year it agreed to buy 5 per cent of Salomon Brothers in return for a like-valued stake once its own shares are quoted. Following BCI's abortive bid for New York-based Irving Trust, San Paolo is winning a name as the most foreign-minded of Italy's banks. Last week it became the biggest shareholder in Hambros, the UK merchant bank, by raising its 12.4 per cent interest to more than 14 per cent and consolidating its recent French acquisitions to give its subsidiary, Banque Sanpaolo, a 50 branch network.

As is often the case in Italy, politics probably represents the biggest danger to banks in their liberalised future. There have been suggestions of enforced marriages between strong northern institutions and weaker southern counterparts like Banco di Napoli and Banca di Sicilia. Although the two southern banks will benefit from the Amato law once it is finally approved by the Senate, with substantial capital boosts to bring their ratios into line with the central bank's minimum requirements, neither is an ideal bride.

Politics has also raised its head in the horse trading for top management appointments at some of the big northern banks, where several senior executives are up for re-election or replacement. In the end, it may be that Italian politicians, rather than neighbouring European bankers, are the banks' main enemies.

Italian bank results
(end 1989) Lire bn

	Net profit (loss)	Total loans	Total assets
Banca Commerciale Italiana	420 (–16%)	83,700	112,600
Credito Italiano	270 (–35%)	67,161	94,045
Banco di Roma	103 (+129%)	53,022	81,912
Banco Nazionale del Lavoro‡	(498)	84,366*	101,644*
San Paolo di Torino	560 (+8.5%)	48,683	111,000
Banco di Napoli	104 (+40%)	54,856	85,131
Ambroveneto	143 (+15%)	12,851	28,055

‡ Net profit 1988 was Lire 105bn. * parent company

COMMENTS

- **BCI**- Italy's most international and sophisticated bank is set to be one of the winners from any liberalisation.
- **Credito Italiano**- temporarily becalmed after blockage of its attempt to buy into Banca Nazionale dell'Agricoltura, but should recover.
- **Banco di Roma**- still undercapitalised and barely profitable. But foreign interest remains strong thanks to the bank's nationwide branch network.
- **BNL**- overshadowed by last year's Atlanta letters of credit scandal, and is facing an uphill task re-establishing its credibility. Internal pre-occupations will predominate.
- **San Paolo**- currently the most aggressively outward looking Italian bank, set to be a winner once transformed from a foundation to a joint stock company.
- **Banco di Napoli**- Lack of capital continues to hold back the largest southern Italian bank, which is also restricted by the region's economic problems.
- **Ambroveneto**- Strong and confident following its merger, Italy's biggest private sector bank should now flourish.

Banco Bilbao forecasts rise despite Spanish deposit war

By Norma Cohen in London

BANCO Bilbao Vizcaya expects a modest increase in profits in 1990 of slightly more than 10 per cent, despite a "deposit war" among Spanish banks which has driven up the cost of funds and a tough lending environment, said Mr Emilio Ybarra, chairman of the banking group.

Mr Ybarra, speaking at a press briefing, said profits for the banking group were expected to rise to $1.42bn (£868m) in 1990 from $1.29bn in 1989, and to $1.57bn in 1991. Profits among Spanish banks in the late 1980s had been buoyant, with some banks reporting annual profits growth of up to 30 per cent. BBV's 1989 profits had risen 12.8 per cent from the year earlier.

The bank plans to cut expenses by paring 100 branches – after having shed 250 branches in 1989 – and by cutting more than 1,000 employees through voluntary redundancy.

Mr Ybarra was named chairman of BBV by the Bank of Spain after an unusually public battle among the bank's top officials. The bank had been run by two co-chairmen following the merger which created it in 1988.

The sudden death of one of the co-chairmen, Mr Pedro Toledo, created a hotly-contested vacancy which resulted in the appointment of Mr Ybarra as a single chairman.

Meanwhile, the deposit war – which has forced Spanish banks to begin paying market interest rates on current accounts – has not proven as expensive for BBV as had been feared.

Spain's third largest bank, Banco Santander, sparked the battle for new current accounts last autumn by offering to pay interest rates of up to 12 per cent. Mr Ybarra said that BBV had been paying interest on about half its Pta600bn (£3.38bn) in current accounts before that, but had only been paying a sub-market rate of six per cent.

The phasing in of higher interest rates has raised BBV's cost of funds by about 40 basis points, but this has been offset by the imposition of fees for account holders. Bank customers will now be charged for bank credit cards and for the maintenance of their accounts, as well as a per-transaction charge of 30 pesetas if more than five transactions are conducted each month.

CGE bond issue to raise FFr5bn

By George Graham in Paris

COMPAGNIE Générale d'Electricité (CGE), the French engineering and telecommunications group, is to raise FFr5bn ($866m) of fresh capital through an issue of convertible bonds, on the strength of more than doubled net profits of FFr4.94bn in 1989.

Details of the bond issue were not released, but FFr3bn will be reserved to existing shareholders and FFr2bn to the international market.

Mr Pierre Suard, chairman, also confirmed that his group would take over the 12 per cent stake held in Framatome, the partially state-controlled nuclear plant builder, by Dumez, the French construction group, while Dumez would take 66 per cent control of CGE's electrical distribution operations.

Mr Suard said CGE's results were particularly satisfying as they incorporated the creation of GEC-Alsthom through the merger of its engineering activities with those of the UK's General Electric Company.

The creation of GEC-Alsthom led to a change in accounting practices which produced a FFr1bn non-recurrent profit. Excluding this change, CGE's earnings per share rose 26 per cent to FFr40.60, despite a 43 per cent increase in the number of shares in issue.

Mr Suard said the results reflected the recentring of the group through the absorption of a number of intermediate holding companies; he added that every one of CGE's divisions had improved its results, with the exception of Framatome.

Mr Suard said the advantages were self-evident of a closer association between CGE, which is a major player in the non-nuclear energy engineering sector, and Framatome.

He said he approved of Framatome's recent policy of diversification through the acquisition of a number of electrical connections manufacturers.

He said, however, that he refused to allow Framatome to risk FFr1bn in the stock market takeover battle between Paribas, the investment banking group, and Navigation Mixte, the industrial conglomerate in which Framatome is a major shareholder.

At the same time, Mr Suard announced the absorption of Electro-Financière, a separately listed CGE affiliate, by Générale Occidentale, once the holding company of Sir James Goldsmith, bought by CGE in 1987. The offer of seven GO shares for five Electro-Financière values the company at FFr3.47bn.

CGE also said it would ask shareholders to change its name to Alcatel Alsthom Compagnie Générale d'Electricité.

INTERNATIONAL COMPANIES AND FINANCE

Netherlands insurer posts record result for year

By Laura Raun in Amsterdam

EARNINGS AT Nationale-Nederlanden, the biggest insurer in The Netherlands, soared nearly 24 per cent in 1989 thanks to buoyant life insurance and lower taxes.

Reflecting the record profits, which exceeded analysts' expectations, Nat-Ned boosted its annual dividend to Fl 3 ($1.57) from Fl 2.80 in 1988. The company forecast that net income in 1990 would equal the high level of 1989 in spite of heavy claims from a series of wind storms that battered north-west Europe early this year.

Net income jumped to Fl 973.3m in 1989 from Fl 787.2m the year before although per-share earnings rose only 8 per cent to Fl 6.84 from Fl 6.33. The life insurance business hoisted its operating income by almost 38 per cent to Fl 468.8m, fuelled by activities in The Netherlands and in the US, where the recently acquired Southland Life Insurance company made a "handsome contribution."

Nat-Ned's overall tax burden plunged 19.5 per cent to Fl 260m last year from Fl 323m in 1988. Total revenue jumped about 15 per cent to Fl 23.1bn from Fl 20.12bn in 1988. Non-life insurance activities reported a 14 per cent drop in operating income to Fl 155.6m, depressed by natural disasters such as Hurricane Hugo and the San Francisco earthquake. These and other calamities produced a Fl 72m charge against 1989 earnings.

Volkswagen to lift dividend

VOLKSWAGEN, the West German car maker, said it would raise its dividend on ordinary shares to DM11 ($6.47) on 1989 results from a DM10 dividend in 1988, Reuter reports.

VW said the dividend on preference shares would be raised to DM12 from DM11 the previous year. It said the supervisory board would propose the increase to the shareholders' meeting on July 19.

US hospital supplier takes $566m restructure charge

By Karen Zagor in New York

BAXTER International, the leading US hospital supplier, yesterday said it would take a pre-tax charge of $566m against first-quarter earnings as a result of a restructuring plan aimed at streamlining operations and improving margins.

The company is to cut its worldwide workforce of 64,300 by about 10 per cent through selling, consolidating or closing 21 manufacturing plants and by reducing the number of administrative staff both at corporate headquarters in Illinois and elsewhere. Baxter also plans to move away from several marginal businesses.

In the long run, the restructuring is expected to generate an increase in annual pre-tax savings of about $275m by 1993.

However, as a result of the charge, Baxter expects to report a 1990 first quarter loss of between $1.50 and $1.60 a share. In 1989, Baxter recorded first-quarter per-share earnings of 34 cents.

Although Baxter's management had announced plans for restructuring and employee reductions late last year, yesterday's announcement was more dramatic than Wall Street had expected.

The move was generally regarded favourably on the Street. Shares in Baxter added $⅝ to $25¼ at mid-day yesterday in heavy trading on the New York Stock Exchange. The company's issues had traded no higher than $25⅞ in 1989.

"The affected plant communities and employees will receive advance notification and employees whose jobs are being eliminated will receive a range of benefits, including severance pay and outplacement assistance," said Mr Vernon Loucks, chairman and chief executive.

The group has grown swiftly during the 1980s, to a revenue base of more than $7bn in 1989 from just $1.3bn in 1985. Then it acquired American Hospital Supply, a company almost twice its size, for $3.7bn.

However, assimilating American Hospital Supply has been more troublesome than Baxter expected.

Operating income for the whole of 1990 is expected to advance by more than 15 per cent from $834m in 1989, in spite of a projected first-quarter decline of about 15 per cent. Baxter expects the restructuring to support annual operating income growth of between 15 per cent and 18 per cent.

Baxter also said it would establish a separate subsidiary for its diagnostics products business and is looking at ways to "enhance that business's contribution to shareholder value." One possibility is a public offering of a minority interest in the new diagnostics subsidiary. Baxter's diagnostics business had sales of $1.4bn in 1989.

In the fourth quarter ended December 31, Baxter had sales of $1.96bn, up 7.5 per cent from the previous year. Sales from the company's Hospital group rose only 5 per cent in the quarter, and the IV sector had particularly sluggish sales.

The company axed more than 6,000 jobs shortly after the American Hospital Supply acquisition.

Sun Alliance fall cheers market

By Eric Short in London

PRE-TAX profits of Sun Alliance Group, Britain's largest house insurer, fell 14.4 per cent from a record £372.4m ($609m) to £318.6m in 1989. The drop was less severe than experienced by other composite insurance groups and the company's shares rose 6 per cent yesterday.

The strong underlying growth in the group's equity and property investments in its non-life portfolio enabled shareholders' funds to advance from £2.1bn to £2.9bn, with the solvency margin (shareholders' funds as a percentage of non-life income) jumping from 93 per cent at the beginning of the year to 119 per cent at the end.

The total dividend for 1989 is being raised by 22 per cent from 10.25p to 12.5p per share, with a final payment of 8p.

The increased payout for the 12 months reflects the underlying asset strength as much as it does the relatively good profit performance.

Despite the 1989 subsidence cost and severe competition in the commercial market, Sun Alliance managed to record a full-year underwriting profit in the UK, albeit only £1.2m compared with £88.1m.

Lex, Page 18.

COMPANY NEWS IN BRIEF

YVES SAINT LAURENT, the leading French fashion and perfumes company, has turned in net profits of FFr224.5m ($39.3m), more than six times higher than 1988's earnings and 28 per cent ahead of the FFr175m it forecast at the time of its heavily oversubscribed stock market flotation last July, writes George Graham.

Operating profits rose 26 per cent to FFr552.5m on sales up 16 per cent to FFr3.06bn.

■ Aerospatiale, the state-owned French aeronautics group, boosted 1989 net profit to FFr204m in 1989 from FFr93m a year earlier.

The rise was led in part by its civil aviation activities, which include its membership of the European aircraft consortium Airbus Industrie. Consolidated revenue advanced to FFr31.7bn from FFr28bn in 1988, while new orders surged to FFr83bn from FFr38bn.

■ Feldmühle Nobel, the West German papers, chemicals and explosives group, has acquired a 5 per cent stake in Sarrio, of Spain, for an undisclosed sum.

Christiania to merge with bank hit by losses

By Karen Fossli in Oslo

CHRISTIANIA BANK, Norway's second largest bank, said yesterday that it had agreed to merge with Soerlandsbanken, a medium-sized commercial bank which operates in the southern part of Norway.

In January, Christiania acquired Sunnmoersbanken, a troubled medium-sized commercial bank which was deemed technically insolvent, but increased Christiania's market share in the north-west of the country to about 50 per cent.

The new deal, which must be approved by Norwegian authorities, is expected to be completed before summer but is symptomatic of a major consolidation under way within over-banked Norway.

Combined assets of Christiania and Soerlandsbanken will reach NKr135.5bn ($20.6m) but with Sunnmoersbanken included Christiania's assets will be in the range of NKr142bn.

In comparison, the combined assets of Bergen Bank and Den norske Creditbank (DnC), which are in the process of merging to form Den norske Bank (DnB), are NKr210bn, making it the seventh largest Scandinavian bank.

Soerlandsbanken, not unlike a large majority of Norway's banks, suffered estimated losses on loans and guarantees in 1989 of about NKr195m but posted an estimated operating profit of about NKr125m. Net losses for the bank hit NKr75m in 1989.

Under the agreement, domestic shareholders in Soerlandsbanken will be given six ordinary shares in Christiania Bank for five Soerlandsbanken shares. Foreign shareholders in Soerlandsbanken will be given six "free" shares in Christiania for five of their shares.

Soerlandsbanken employs about 325 staff. Redundancies are not expected, but in those towns where both banks are represented, restructuring will be undertaken. Mr Jan Wesenberg, the head of Soerlandsbanken, will head the new district bank.

Smaller merchant banks keep making big money

David Lascelles finds big is no longer beautiful

The independent UK merchant bank, once thought to be an threatened species, is holding its own.

The most obvious evidence of this is the recent crop of 1989 results which showed that the merchant banks are making good money again after the financial turmoils of the late 1980s. But it also emerges from shifting attitudes in the City of London, in particular the declining fashionability of the view that "big is beautiful."

All this marks a striking change from two or three years ago when some merchant banks were racking up heavy losses from ill-planned forays into the securities business. It was thought then that the glittering prizes would go to large, strongly-capitalised houses which were able to offer a wide range of services in the style of US investment banks. Today, some of the most successful merchant banks are small and specialised.

The stock market has already registered the merchant banks' improving fortunes. The share prices of the publicly quoted banks rose strongly through the latter part of last year. But the private banks are also doing well.

Last month Barings, the City's oldest continuously trading merchant bank, disclosed its true profits for the first time in 228 years. These – no coincidence surely – more than doubled last year to a record £66m ($108m) before tax.

"We think our ownership structure and independence are marvellously suited to the market – we feel very fortunate," says Mr Peter Baring, the chairman. (Although still closely associated with the Baring family, Barings is actually owned by a charity, the Baring Foundation).

Among the large publicly quoted banks, Kleinwort Benson has recovered from heavy securities losses and nearly quintupled profits in 1989, and S.G. Warburg is expected to announce sharply improved results later this year after a two-year spell in the doldrums.

The turnaround has not been achieved without considerable changes to the merchant banks themselves. After the initial flush of enthusiasm at the time of the Big Bang in 1986, many merchant banks have reversed the advances they made into the securities business.

Some, like Morgan Grenfell, have retreated completely, others like Kleinwort or Barings, have pared back and are trying to strike a new balance.

Even so, more than half of Barings' profits last year came from its securities operations, particularly its strong operations in the Far East. Five years ago, this business did not even exist, prompting comment that Barings has actually transformed itself from a merchant bank into an investment house.

Generally, though, the merchant banks' move into securities has produced only mixed results. While Kleinwort and Warburg are now making money on equities they are probably still losing it on debt securities. Robert Fleming, the private merchant bank which was one of the first to move into the equities business, was badly hit by recent market crashes, and Mr Joe Burnett-Stuart, the chairman, says this business is still operating at a loss, though improving.

Larger banks have been the least profitable since Big Bang, while smaller banks do not seem to have lost business simply because they do not command great armouries of capital

The question whether having a securities operations aids others parts of the business is also moot. Mr David Peake, the chairman of Kleinwort, says: "The reason why we got into equities – to complement our corporate finance activity – is working. We are no longer worried about whether we should remain in it." He claims that the securities business gives Kleinwort a better all-round capability which is attractive to clients.

Yet three of the most successful merchant banks in corporate finance do not have substantial UK equity operations: Schroders and Morgan Grenfell – which did £28bn and £18bn of deals respectively last year – and Lazards. Indeed, Morgan Grenfell's performance has improved sharply since it pulled out of equities in late 1988. Mr John Craven, the chairman, and once a strong advocate of the integrated approach, said of its 57 per cent profit increase in 1989: "These results show that you do not need a securities arm."

Linked to this is the view that sheer size is not as important as it was. The larger banks have certainly been the least profitable since Big Bang, while smaller banks do not seem to have lost business simply because they do not command great armouries of capital. Mr Burnett-Stuart of Flemings comments: "Some people say that you need lots of capital in this business. But I've always believed that the trick is to manage with as little capital as possible."

Singer & Friedlander, a medium-sized bank which prides itself on its 16-year record of unbroken profit growth, also trumpets virtues other than size: "We don't need more capital." says Mr Tony Solomons, the chairman. "If the deal is right you can always use other people's financial muscle."

There is much encouragement for the merchant banks in the fact that none of the many UK and foreign commercial banks – with the exception of Barclays – which entered the securities business at Big Bang have made a conspicuous success of it. Rather the opposite: many have suffered failure and losses.

A further indication of the resilience of the merchant banks is the fact that only one of them, Morgan Grenfell, has fallen prey to takeover. And even Morgan is arguably an exception in that its acquisition by the Deutsche Bank was triggered by the sudden sale of a large block of its shares. Mr Solomons at Singer says: "There always has been and there always will be a place for the independent merchant bank so long as it provides quality service and has good people."

INTERNATIONAL COMPANIES AND FINANCE

Eastern creditors vote for appointment of a trustee

By Martin Dickson in New York

A GROUP of creditors of Eastern Air Lines, the beleaguered US carrier, has voted to ask the bankruptcy court to appoint a trustee to run the business in place of management and possibly to sell off its assets.

The decision represents a new low-point in relations between the creditors and Eastern and Texas Air, its parent company, headed by Mr Frank Lorenzo, which would almost certainly oppose such a move.

Eastern said there was "no legal or policy basis for the appointment of a trustee."

The vote, taken by a committee of the airline's unsecured creditors, came as they rejected Eastern's latest offer of repayment, which consisted of about 25 cents on the dollar. That compares with a previous tentative agreement to pay around 50 cents on the dollar.

Eastern announced in late March it was no longer able to meet that agreement because of its worsening financial position. It said then it was failing to generate sufficient traffic to meet its goals because of "negative and disruptive public perception" of its reorganisation.

Eastern has been operating under the protection of the US bankruptcy courts since its pilots honoured a strike by the airline's machinists a year ago.

Its unions have long been in favour of the appointment of a trustee but until now creditors have resisted such a move, agreeing to let Mr Lorenzo try to reorganise the group. This week's vote indicates that their patience is running out, with some believing their best hope is a trustee who might sell the airline's core assets to other carriers with a gap in their operations.

The airline's latest offer to the unsecured creditors, who are owed about $1bn, is understood to have consisted of some five cents on the dollar in cash, or about $50m, and a further 20 cents through secured notes, or about $190m.

Creditors had been seeking a larger role in the financial reconstruction by Texas Air, which this week apparently suggested it could underwrite up to $25m of Eastern's future losses – less than some creditors had been seeking.

Baby Bells win services rehearing

By Roderick Oram in New York

THE SEVEN regional Bell telephone companies in the US have won another day in court to try to gain permission to offer information services over their local networks.

The Federal appeals court in Washington has ruled that Judge Harold Greene erred when he kept a tight lid on their services in his 1987 review of the agreement which broke up American Telephone & Telegraph and created the regional Bells.

He denied the Bells permission to create and offer information services, offer long-distance communications or manufacture equipment.

Rather than focus on the monopoly issue, he should have assessed whether the Bells' provision of information services was in the public interest, the appeals court said. It instructed him to hear again that portion of the case.

Telephone companies and legal experts said the appeals court was sending Judge Greene a message to be more accommodating on the issue.

The Bells were disappointed, though, that they would get no speedy review of the bans on long-distance and equipment.

Mr Laurence Tribe, a Harvard law professor representing the Bells, said: "It seems to me it's a complete victory with respect to information services."

The Bells argue they would be the most logical and efficient providers of services such as stock quotes, news and consumer information.

Critics worry, though, they would use their position as the local monopoly carrier to subsidise charges and undermine competition from other information service providers who have to use their phone lines.

The American Newspaper Publishers Association said a continuing bar on the Bells was "the best assurance of the development of a maximum number of diverse electronic information services."

DAF and Navistar discuss joint ventures

By Kevin Done, Motor Industry Correspondent

DAF, the Dutch commercial vehicles maker, has begun exploratory talks with Navistar, the US truck and diesel engine maker, about collaborative ventures in truck components, including engines.

DAF, which took over the previously UK state-owned Leyland truck operations in 1987, has failed in recent months in two takeover bids for the Steyr truck operations in Austria and for Enasa in Spain.

It has slipped down the West European truck industry league following the alliance of Volvo and Renault and the takeover of the Steyr truck business by MAN of West Germany and the planned joint takeover of Enasa by MAN and Daimler-Benz.

Mr Aart van der Padt, chairman of the DAF management board, who confirmed he had held talks recently with Navistar in Chicago, said the failures over Steyr and Enasa had not diminished DAF's "enthusiasm for collaboration ... there are still opportunities for successful collaboration in the field of components or products."

Navistar International, a leading North American medium and heavy truck maker formerly known as International Harvester, announced last autumn it was seeking partners to re-enter the West European market. This was less than a decade after it had been forced to withdraw in disarray with its North American operations on the brink of financial collapse.

International Harvester was a leading minority shareholder in DAF, but its stake was sold in the mid-1980s.

Navistar is seeking links with European truck makers in engine manufacturing and in truck distribution and assembly. Mr van der Padt said DAF was only interested in collaboration in components.

Navistar, the world's leading producer of mid-range diesel engines, is seeking to gain a foothold in Europe with what it claims is the world's first "smokeless" diesel engine.

DAF's planned deal with Renault of France to develop a new 2.5-4.2 tonnes medium/heavy panel van range would be finalised in the next few weeks, said Mr van der Padt.

The two companies were planning a total investment of Fl 1.3bn ($680m) in the project to establish capacity to produce around 90,000 vans a year at two plants in France and in the UK. DAF was aiming to produce around 40,000 vans a year at its Birmingham van plant with production beginning in 1994/95.

Mr van der Padt said the Renault and DAF ranges would have the same engines, mostly produced by Renault. "We will have common sourcing, we will supply as much as possible from within the two companies," he said.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1988							
4th qtr.	[illegible]	116.6	[illegible]	121.9	[illegible]	2,101	241.4
1989							
1st qtr.	108.7	[illegible]	[illegible]	121.9	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	121.5	[illegible]	[illegible]	[illegible]
3rd qtr.	111.3	[illegible]	[illegible]	121.6	[illegible]	1,742	[illegible]
4th qtr.	111.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,949	[illegible]
March	[illegible]	[illegible]	30.7	122.4	127.3	1,917	[illegible]
April	110.7	118.1	34.7	[illegible]	[illegible]	[illegible]	[illegible]
May	108.4	[illegible]	34.1	[illegible]	[illegible]	[illegible]	[illegible]
June	109.2	[illegible]	[illegible]	121.1	131.4	1,816	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,767	[illegible]
August	111.5	[illegible]	[illegible]	121.5	134.4	1,745	[illegible]
September	111.1	119.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	121.5	[illegible]	1,675	214.6
November	112.9	[illegible]	35.7	121.6	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1990							
January	110.1	[illegible]		122.1	[illegible]	1,611	[illegible]
February				[illegible]	[illegible]		

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
2nd qtr	111.7	[illegible]	[illegible]	111.0	[illegible]	[illegible]	[illegible]
3rd qtr	114.2	113.7	[illegible]	114.9	125.1	101.9	[illegible]
4th qtr	114.1	115.1	[illegible]	[illegible]	124.2	[illegible]	21.2
1989							
1st qtr.	114.6	119.9	[illegible]	[illegible]	[illegible]	[illegible]	19.1
2nd qtr.	115.4	121.1	[illegible]	[illegible]	[illegible]	[illegible]	16.7
3rd qtr.	114.5	124.4	[illegible]	[illegible]	124.1	97.4	14.4
4th qtr	115.1	[illegible]	104.9	124.4	121.0	[illegible]	[illegible]
March	115.7	[illegible]	[illegible]	[illegible]	127.0	[illegible]	[illegible]
April	116.1	[illegible]	[illegible]	115.0	127.3	[illegible]	18.4
May	115.2	121.5	101.9	121.0	122.9	[illegible]	[illegible]
June	[illegible]	[illegible]	101.7	122.0	[illegible]	[illegible]	17.7
July	115.7	[illegible]	[illegible]	[illegible]	[illegible]	97.5	16.5
August	114.5	125.9	105.7	123.9	123.9	[illegible]	14.5
September	114.2	[illegible]	[illegible]	[illegible]	125.0	97.9	14.9
October	114.7	[illegible]	105.3	[illegible]	[illegible]	97.2	[illegible]
November	114.4	127.3	105.6	124.0	120.6	[illegible]	[illegible]
December	116.1	[illegible]	[illegible]	[illegible]	[illegible]	101.0	[illegible]
1989							
January	[illegible]	[illegible]	[illegible]	[illegible]	121.0	[illegible]	

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1989							
1st qtr.	112.8	140.5	-5,037	-4,559	[illegible]	98.4	50.46
2nd qtr.	113.5	140.3	-5,335	-4,898	[illegible]	98.1	43.67
3rd qtr.	117.2	141.9	-6,369	-6,206	+397	98.2	42.88
4th qtr.	124.4	138.0	-4,321	-5,054	+627	98.6	38.64
April	113.5	139.7	-2,198	-1,921	+118	[illegible]	47.28
May	114.5	140.3	-1,726	-1,453	+25	98.1	46.08
June	115.1	142.0	[illegible]	-1,679	+164	97.9	43.67
July	115.6	139.5	-2,543	-2,475	+138	97.1	43.83
August	114.5	141.2	-2,376	-2,316	+163	97.4	43.21
September	121.5	143.3	-1,973	-1,959	+194	98.5	[illegible]
October	122.8	139.5	-1,882	-1,929	+212	96.9	39.60
November	121.9	140.4	-1,782	-2,019	+295	[illegible]	38.77
December	128.4	134.2	-617	[illegible]	+219	[illegible]	38.64
1990							
January	125.3	150.4	-2,020	-2,020	+121	97.4	38.45
February	124.3	140.2	-1,395	-1,395	+125	97.2	38.54

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cosumr. credit† £m	Base rate %
1988							
4th qtr.	7.7	[illegible]	17.8	[illegible]	2,165	[illegible]	13.75
1989							
1st qtr.	6.7	13.2	[illegible]	+21,103	2,061	+987	13.00
2nd qtr.	6.0	11.3	18.6	+20,325	1,736	[illegible]	14.00
3rd qtr.	5.3	10.0	17.4	+25,152	2,288	+729	14.00
4th qtr.	5.8	10.2	17.6	+20,469	1,057	[illegible]	15.00
January	7.4	15.5	18.0	+7,011	784	[illegible]	13.00
February	6.9	[illegible]	18.4	+5,963	1,054	+163	[illegible]
March	6.1	14.7	18.1	+8,306	613	+409	13.00
April	5.2	14.5	17.9	+6,272	1,175	+365	13.00
May	6.2	13.6	18.1	+6,427	715	[illegible]	14.00
June	5.9	11.3	[illegible]	+7,508	-153	+169	14.00
July	5.2	10.4	16.5	+7,744	846	+285	14.00
August	6.1	10.1	17.2	+7,959	621	+280	14.00
September	4.5	9.9	17.3	+10,461	815	[illegible]	14.00
October	5.2	9.9	17.2	+6,179	794	+179	15.00
November	5.7	10.7	17.5	+4,853	177	+298	15.00
December	6.0	9.8	18.2	+10,725	176	-39	15.00
1990							
January	5.8	9.5	18.3	+5,790	[illegible]	+505	15.00
February	6.4	8.2	17.9	+7,289	383	+383	15.00

INFLATION-Indices of earnings (1988=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1988							
1st qtr.	97.2	98.9	111.6	103.7	103.8	[illegible]	75.3
2nd qtr	98.5	[illegible]	112.5	106.2	104.6	1,817	77.5
3rd qtr.	100.5	98.8	113.9	107.7	104.4	1,862	75.9
4th qtr.	103.8	100.1	115.2	109.9	105.7	1,867	77.5
1989							
1st qtr.	106.3	[illegible]	116.6	111.7	107.9	1,974	97.1
2nd qtr.	107.8	104.4	118.2	114.9	110.2	2,018	93.8
3rd qtr.	108.6	103.1	119.7	116.0	110.7	1,972	91.7
4th qtr.	112.6	105.8	121.2	118.3	113.5	1,843	88.0
January	105.4	104.0	115.4	111.0	107.4	1,969	97.9
February	106.1	101.9	116.6	111.8	107.7	1,969	97.4
March	107.3	[illegible]	117.2	112.3	108.3	1,989	95.9
April	107.4	[illegible]	117.8	114.3	109.6	2,019	96.5
May	107.6	104.7	118.3	115.0	110.3	2,014	[illegible]
June	108.4	104.7	118.8	115.4	110.7	2,027	91.1
July	109.1	102.8	[illegible]	115.5	110.1	1,999	92.2
August	108.9	102.7	119.7	115.8	[illegible]	[illegible]	91.6
September	110.8	103.6	120.2	116.6	111.3	1,969	91.3
October	112.2	104.1	120.8	117.5	112.4	1,861	89.7
November	112.5	105.7	[illegible]	118.5	113.6	1,828	87.9
December	113.5	107.7	121.5	118.8	114.5	1,818	88.5
1990							
January	115.0	107.5	122.6	119.5	116.0	1,771	87.7
February		104.7	123.1	120.2	117.8	1,691	89.6

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

Icahn claims break-up would lift USX 30%

By Martin Dickson

MR CARL Icahn, the corporate raider, has put financial flesh on his break-up plan for USX, the Pittsburgh-based energy and steel group, claiming it would increase the market value of the business by some 30 per cent compared with its current share price.

His plan, which is strongly opposed by the USX board, will be put to shareholders at the company's annual meeting on May 7.

It calls for US Steel, America's biggest steelmaker, to be spun off into a separate company, leaving USX to concentrate on its Marathon oil and natural gas operations. Mr Icahn owns 13.3 per cent of the company's equity.

In a circular to shareholders Mr Icahn and fellow investors estimated Marathon had a market value of $39 a share and US Steel $9 a share, giving a total for the separated companies of $48 a share.

USX which declined immediate comment has argued that a group combining energy and steel increased the financial strength of the whole, with the cyclical variations in the two sectors offsetting one another.

Xerox to write-off $400m on VMS in first quarter

By Karen Zagor in New York

XEROX, the US office equipment and financial services group, is to take a first-quarter pre-tax write-off of about $400m in connection with its investments in VMS Realty Partners of Chicago.

The company said its first-quarter results would be reported at the end of this month. In the first quarter of 1989 Xerox recorded net income of $158m or $1.48 a share on revenues of $4.14bn.

Xerox's decision to take the hefty provision on its troubled property partnership came as no surprise to some analysts.

"We had already cut our estimates by about 10 cents a share to reflect the loss in equity earnings from VMS," said Mr Alex Henderson, vice president and securities analyst at Prudential Bache in New York. "Xerox's stock has been brutalised as a result of the VMS investment."

The company's shares fell sharply after VMS said, on February 13, it had suspended all but essential payment to its creditors because of "severe cash flow problems." VMS then said it would begin negotiations with its creditors and seek professional guidance on "workout" plans to pay off its investors.

Xerox said its decision followed an evaluation by VMS and its advisers of the estimated realisable value of VMS holdings "for the purpose of resolving its financial difficulties."

The office equipment maker paid $80m for its VMS stake in February 1987. Xerox's credit arm holds a 25 per cent stake in VMS, and has a high exposure to it through notes, accrued interest and a line of credit.

Provigo loses C$51.4m despite increased sales

By Robert Gibbens in Montreal

PROVIGO, Canada's second largest food distributor, suffered a C$51.4m (US$44m) loss after special charges for the year ended January 27 1990 on net sales of C$6.1bn, up 15 per cent. The company has been selling its non-food assets.

Net profit from continuing operations, mainly the food business, was C$53.4m, or 63 cents a share, down from C$63.8m, or 75 cents, a year earlier. A drop in food distribution in the western US accounted for the decline.

But after special charges totalling C$105m to cover restructuring costs, the final loss was C$51.4m for the latest year.

Provigo, controlled by Mr Bertin Nadeau, a Montreal entrepreneur, and the Sobey family of Halifax, Nova Scotia, reversed last year a five-year-old diversification policy, forcing its well-known president, Mr Pierre Lortie, to resign.

It has already sold its catalogue retailing and drug wholesaling units and another retail chain is on the block.

Mr Nadeau said Provigo could expect improved earnings this year despite tough competition in Canadian and US food distribution.

INTERNATIONAL COMPANIES AND FINANCE

State groups seek control of L&T

By R.C. Murthy in Bombay

AN extraordinary general meeting of Larsen and Toubro, a prominent Indian engineering company, has been called by state-controlled financial institutions in an attempt to dislodge Mr Dhirubhai Ambani of Reliance Industries and his associates from the management of L&T.

The move, instigated by Life Insurance Corporation of India (Lici) with the backing of five other institutions which have a combined stake of 35 per cent in the company, is being endorsed by the National Front Government which came to power last November. It would be the first time that government agencies have wrested control of a large private sector Indian company.

At issue are the disputed means by which Reliance gained management control of L&T in 1988. At the weekend the Government sacked Mr M. J. Pherwani, chairman of Unit Trust of India (UTI), one of the financial institutions. This was a consequence of his alleged role in the sale of L&T shares to Reliance group 18 months ago which facilitated the entry of Ambani nominees to the board of the company.

A decision either way on the future of L&T, which has a market capitalisation of some Rs900m ($33.5m) will be of far-reaching importance.

A failure to oust Reliance nominees would be a setback for the administration of Mr Vishwanath Pratap Singh, which is seeking to introduce reforms governing the conduct of corporate takeovers.

On the other hand, the exit of Mr Ambani, an entrepreneur whose empire grew rapidly under the previous government of Mr Rajiv Gandhi, will start worrying many businessmen who acquired companies over the past three years.

Local stock markets have responded unhappily to the developments.

Financial institutions and state-owned mutual funds have stakes in about three quarters of the 600-odd private sector Indian companies and managements generally depend on their support for survival.

Official policy is to support managements when faced with hostile takeover bids, but there have been exceptions in the past.

Dhirubhai Ambani: empire grew rapidly under Gandhi

Mr Anil Ambani, a L&T director, describes the extraordinary general meeting, to be held within 45 days, as a threat to the management.

In the Reliance takeover of L&T in October 1988 a key element was its purchase of 3.3m L&T shares from UTI. This deal became the subject of litigation brought in the Supreme Court by opponents of Mr Ambani.

The disputed shares were returned to UTI at the insistance of the court late last year, but Reliance remains in control of the company as a result of separate purchases in the market which, it says, gives it 33 per cent of the equity.

Reliance accuses New Delhi of mounting a vendetta. The administration for its part wishes to avoid being accused of witch-hunting, and has proceeded with caution. However, events have now started unfolding rapidly since the sacking of Mr Pherwani at UTI.

The Ambanis, through court appeals, are attempting to postpone the extraordinary shareholders' meeting. If they succeed in delaying it beyond the end of May a partial conversion of a Rs8.2bn convertible bond issue by L&T is due. Reliance has a substantial but unspecified portion of these bonds, which would tilt the scales in its favour.

The financial institutions are thus seeking an early legal resolution of the matter.

Reforms fail to hook investors

Lim Siong Hoon on problematic banking legislation in Malaysia

A Malaysian legislative attempt at strengthening the country's financial institutions and drawing in fresh capital has, after six months, brought nearly no result.

Injections of capital are needed for a dozen-odd banks and finance companies. Eight of them – such as United Asian Bank, the country's fifth largest – are in danger of becoming insolvent.

It was hoped that foreign banks would invest in some of the ailing institutions as well as contributing to a general capital restructuring which would help fund the growth of healthy local institutions.

Legislative support for the process was provided under the Banking and Financial Institutions Act passed last year. However, new investments have been few, particularly from foreign sources.

Just two banks, both Japanese, have bought equity: Sanwa took a 15 per cent stake in Bank of Commerce and Mitsui 10 per cent in Development and Commercial (D&C) Bank.

Some bankers believe that the provisions of the new law are more a handicap than a help. It limits individual equity stakes, whether foreign or local, to 20 per cent in each domestic financial institution. The restriction is reinforced by an edict from Bank Negara, the central bank, that each Malaysian institution can accept only one foreign partner.

Investments in merchant banks have proved the most attractive to foreign groups in the past and existing shareholding arrangements are in breach of the new regulations. Ten of Malaysia's dozen merchant banks have 22 foreign partners among them, each with a varying equity stake. So 12 of these foreign banks must go, but which 12?

If it is required to evict its partners, Aseambankers Malaysia faces an especially tough decision. Each of its foreign partners – Kleinwort Benson, Dai-ichi Kangyo, Banque Paribas, Dresdner Bank, and Union Bank of Switzerland – has a 5 per cent share.

At Asian International Merchant Bankers there is a different dilemma. The 26.5 per cent stake held by ANZ Grindlays is already above the legal limit. Adding Fuji's stake, the total foreign shareholding in Asian International stands at 31.5 per cent.

Last week Mr Jaffar Hussein, the Bank Negara governor, added a further problem. He said domestic banks ought to limit, through their company charters, the total foreign shareholding to 30 per cent.

However, a contradiction with the earlier edict arises if 30 per cent indeed is the allowable foreign equity portion. In Asian International's case, for example, Fuji could perhaps then stay put if ANZ Grindlays reduces its stake to within 20 per cent.

Mr Jaffar's statement was prompted by reports that Japanese, Singaporean and other foreign interests in D&C had risen above 30 per cent. He advised D&C to follow the example of Public Bank, a listed banking group which stipulates a 30 per cent foreign shareholding limit in its articles of association.

D&C's merchant banking arm is in a different quandary if it observes the central bank's partnership ratio of just one foreign to one domestic bank. Mitsui has a 20 per cent stake in D&C Merchant Bank while its overseas unit, Mitsui Finance Asia, owns another 10 per cent. On this score, the central bank is silent.

On one interpretation Mitsui, as a group, will have exceeded its lawful limit. If considered separately, one of the two Mitsui arms may have to leave. So far, however, a foreign shareholding in a commercial bank has not been held to disqualify simultaneous ownership in its merchant banking arm.

Sanwa, which has a 16 per cent stake in Bank of Commerce's merchant unit, was allowed to pick up 15 per cent in the commercial banking operation.

Exemptions to the 20 per cent limit are possible, but applications must go to the Ministry of Finance. One example is Kamunting Corporation, a diversified local investment group which gained control of Malaysian French Bank after the law was passed. Kamunting had obtained an indirect 70 per cent equity stake by acquiring Multi-Purpose, the bank's holding company.

The new law also gives the 16 foreign bank branches in Malaysia until 1994 to exchange their existing licences for a new form of operation in which they will have to incorporate locally. No change is required to their shareholding structure, under which the foreign parent can keep full control.

However, all the other confusion over who can own what and how much gives the impression that the legislation was not meant drastically to change the ownership status quo for Malaysian banks anyway. After the passing of the legislation Mr Daim Zainuddin, the Finance Minister, said the law merely changed "the form, not the substance" of ownership.

Buoyant Lauritzen plans big share issue

By Hilary Barnes in Copenhagen

LAURITZEN Holding, which controls Denmark's J. Lauritzen shipping and industrial group, plans a substantial new share issue and a share split after a further improvement in earnings last year.

Earnings after financial items were up at DKr409m ($62.9m) from DKr121m on sales of DKr10.70bn against DKr9.33bn. After ship sales, earnings increased to DKr840m from DKr199m, but a reduction in extraordinary income and an increase in tax means that the net result was slightly down to DKr603m from DKr706m.

Equity capital, including minority shares, increased to DKr2.46bn from DKr1.86bn, while total assets increased to DKr10.92bn from DKr9.55bn.

Lauritzen Holding is to issue 1m A shares to the J.L. Foundation and 9m B shares for public subscription. Terms will be set later. The shares will be divided into units of DKr20.

Earnings after financial items this year are expected to improve on last year, but lower revenue from ship sales means that the net result will be slightly lower, according to the provisional statement.

The Lauritzen group includes a large fleet of refrigerated cargo vessels.

Australian unit of Mitsubishi Motors rallies

MITSUBISHI Motors Australia (MMA), the Adelaide-based subsidiary of Japan's Mitsubishi Motors, posted record pretax profit of A$71.2m (US$54.2m) last year, up from the previous peak of A$56.6m in 1988, Reuter reports from Tokyo.

The improved performance was helped by higher demand for imported vehicles. Sales by the offshoot rose 17 per cent to A$1.30bn, or in vehicle terms to 72,402 units from 62,791, the parent company said. Mitsubishi Motors is 12.1 per cent owned by Chrysler of the US.

Of the total sales, those of Australian-made Magna cars fell to 36,423 units in 1989 from 40,518 a year earlier, while those of Galant and Lancer sedans and hatchbacks imported from Japan rose to 6,577 from 1,523. Sales of imported commercial vehicles rose 69 per cent to 22,538, Mitsubishi said.

MMA held an 11.9 per cent share of the overall 1989 Australian vehicle market, against 24.2 per cent for Ford, 18.8 per cent for Toyota, 17.5 per cent for General Motors and 11.1 per cent for Nissan, it said.

Deutsche Babcock set to buy 20% of Riley

By Our Financial Staff

DEUTSCHE BABCOCK, the West German machinery maker, has signed a letter of intent to acquire 20 per cent of the Riley Consolidated subsidiary of Ashland Oil of the US, for an undisclosed financial consideration.

Riley, based in Worcester, Massachusetts, is a specialised engineering machinery maker. Deutsche Babcock said the agreement is subject to expected regulatory approvals in the US and to the completion of negotiations over other details.

However, the pact also allows for the West German company to buy as much as 100 per cent of Riley by August 31 1991.

Deutsche Babcock said it expects eventually to acquire all of Riley. But whether that indeed occurs "still depends on developments at Riley over the next 14 months," the company said.

The final decision would depend on financial developments at Riley and on how it integrates with Babcock's business lines. The letter of intent calls for Deutsche Babcock to buy the initial 20 per cent of Riley by the end of June 1990.

The unusual appeal of Desjardins

Robert Gibbens on Quebec's provincial network of caisses populaires

The C$45bn (US$23.6bn) Desjardins financial services group is Canada's only business that consistently attracts a turnout of more than 3,000 at annual meetings.

But Desjardins is unusual in many ways. It was founded 90 years ago in Quebec City on European co-operative principles to provide credit to farmers and artisans – a market then ignored by the big city banks – and has evolved into the leader in the Quebec consumer, mortgage and farm loan markets.

Desjardins swiftly grew into a provincial network of semi-autonomous caisses populaires, or credit unions. A potential shareholder bought a voting share in his local caisse and obtained basic banking services, including loans. The deposit base came from the local economy.

There are now nearly 1,400 caisses throughout Quebec, with 4.4m shareholder members. The network operates nearly 1,000 automatic banking machines, has a C$30bn loan portfolio, and earned a return of about 94 cents per C$100 of assets last year, up with the best of Canada's chartered banks.

When all affiliated caisses in Ontario, New Brunswick and Manitoba are included, plus the financial services subsidiaries, Desjardins' total payroll is about 34,000 and assets total C$45bn, or nearly half the Royal Bank of Canada's.

The group's organisation chart is as complex as any large management holding company with financial services subsidiaries.

The core network of 1,400 caisses is grouped under 11 regionales and finally under the confederation or group headquarters in Quebec City. Desjardins owns life and property casualty insurance affiliates, a trust company, a wholesale bank operating in Canadian and international money markets, an industrial holding company, stockbrokerage and a Brinks-style security company.

The individual caisses, backed by the resources of the confederation, send delegate shareholders to annual meetings which ensures a flow of ideas through the organisation.

Desjardins, now headed by Mr Claude Béland, 57, is a formidable political force and Quebec's largest indigenous private pool of capital. Its financial clout is larger than the Caisse de Dépot, the Quebec Pension Plan manager, with C$37bn in assets.

Holding Desjardins together has not been easy. The big Montreal regionale broke away for many years. There were sharp divisions over commercial lending policy, entry into credit-card operations, investment in Quebec industry, and the future of co-operative principles. Nevertheless, growth has been persistent.

However, last year Desjardins lost mortgage and deposit market share. While it has benefited from Quebec's financial services deregulation, it is feeling the heat from the big banks and trust companies, especially in Montreal.

Mr Béland is raising C$250m in new equity from caisse members to help the network to compete, is merging and modernising the insurance units and putting more energy into industrial investment.

He is also building closer links with credit union groups in English-speaking Canada, and pushing the financial services subsidiaries beyond Quebec's borders, especially Ontario, where the francophone population continues to grow.

Desjardins Life has just completed its second acquisition in Ontario in two years. Together the life companies will have assets of C$2.6bn and annual premium volume of C$427m.

The challenge for Desjardins is to maintain growth in a market still mainly confined to Quebec and against much stronger competition in commercial lending and in consumer products. Its answer is to develop the financial services subsidiaries further outside Quebec.

Mr Béland often recalls founder Alphonse Desjardins' dictum: "Pour l'amour de Dieu, commencons!"

Molson lay-offs unlikely

MOLSON Breweries workforce is likely be spared the 500 lay-offs forecast when Molson merged its brewing operations with those of its fellow Canadian company, Carling O'Keefe Breweries, AP-DJ reports.

Announcing the merger in January 1989, Molson and Carling said they would close seven of their combined 16 plants and trim their 7,000-member workforce by 1,400 over the next 2¼ years.

Layoffs were to claim up to 500 jobs, while the remaining positions were to be eliminated through attrition and workers leaving voluntarily to take advantage of severance and early retirement packages.

Molson Breweries said the packages were proving so popular the company now doubted that layoffs would be necessary.

Courts sequester 37.8% of L'Espresso

A MILAN judge has sequestered 37.8 per cent of Editoriale L'Espresso owned by publisher Mondadori, AP-DJ reports. The sequester was requested by L'Espresso chairman Carlo Caracciolo and Eugenio Scalfari, editor of La Repubblica, a newspaper published by the Rome-based publishing group. Both are minority Mondadori shareholders.

They said they requested the sequester pending the conclusion of a public tender offer by Mondadori for the outstanding shares in L'Espresso it does not already own.

Last autumn Mondadori reached an agreement with Mr Caracciolo and Mr Scalfari, who respectively owned 35 per cent and 10.6 per cent in L'Espresso, to buy a controlling stake in the company. Mondadori also said it would launch a public tender offer for the remaining shares.

Some details of the operation, which includes a cash and share offering for the outstanding L'Espresso shares, were released last year.

Future control of L'Espresso will play a part in any negotiated settlement between Mr Carlo De Benedetti and Mr Silvio Berlusconi in their battle for control of Mondadori.

INTERNATIONAL CAPITAL MARKETS

Bid to cut Argentine web of debt

Gary Mead reports on the unveiling of a debt-equity swaps fund

The threat of bankruptcy usually induces either panic or concentration. In today's Argentina there is a liberal sprinkling of both, particularly in President Carlos Menem's Peronist Government.

It has ditched Peronism's commitment to general state control of the economy, in favour of promises to sell all the tarnished family silver to avoid a greater disaster.

Mr Menem's determination to privatise the 13 largest state-owned companies, which last year lost an official $3.87bn, is giving chances not just to foreign investors but also to foreign banks, which collectively hold almost $40bn of the country's $60bn foreign debt.

Argentina has paid no commercial bank interest on medium-term loans since April 1988, and its debt currently trades at around 12 cents in the dollar on secondary markets.

Foreign banks are looking to the privatisation programme for debt-equity conversions on a grand scale.

This week the Argentina Private Development Trust (APDT), a $1.2bn fund specifically created to handle Argentine debt-equity swaps resulting from the privatisation and deregulation programme, was publicly unveiled and got into full swing.

The APDT is formed by Midland Bank, Banco Rio de la Plata (Argentina), the Bank of Tokyo and the International Finance Corporation (IFC), the World Bank affiliate promoting private ventures in developing countries.

With the exception of the IFC, the three banks plus banks from Europe, the US and Asia subscribe the APDT's shares, assigning their Argentine debt to the fund.

There is only one class of share, which comprises $100 of Argentine debt, including interest, outstanding to March 9 this year.

The APDT's creators have in turn formed a separate company, CIP Services, to manage the fund and spy out suitable Argentine debt-equity propositions for it.

CIP's ownership is divided between Banco Rio (51 per cent), Midland (34 per cent) and the IFC (15 per cent); the Bank of Tokyo has board membership. The IFC's role is that of sponsor of the project.

Some of the APDT's shareholders have put in the whole of their Argentine debt, others just a portion. A maximum of 20 per cent of the fund's assets can be invested in any one company.

No one from the fund is prepared to put a figure on what they expect the exchanged debt to ultimately convert at, but Midland Bank representatives in Buenos Aires say they are looking for "at least 100 per cent more than its current secondary market value of 12 per cent."

Bankers involved are prepared to admit privately that the setting-up of the fund is the first tacit recognition that there are now only remote possibilities of seeing the bulk of the debt repaid.

That pessimism – justified by the facts – has to be counter-balanced by an optimistic note. The APDT represents for its shareholders the first creative opening towards getting something in return for their withered Argentine loans.

The view of Midland's Buenos Aires office is that "because these projects mop up debt, there is less debt around and the odds of being paid, or having interest paid on the remaining debt, are that much greater. There is no significant demand for this debt.

Carlos Menem: determined to privatise largest state groups

"We cannot sell it at book value in large volumes as the market is illiquid. We cannot sit on it.

"We have got to find ways of recovering it over a longer period. One solution is diversifying into industries which, hopefully, have a good turn-around potential."

If the banks stand to benefit from putting their debt to some use, Argentine Government thinking is that by handing over physical assets it stands to gain in three respects. It hands over turbulent management problems at former state-run companies; it gets rid of nationalised industry deficits; and it shifts on to someone else the future investment requirements of the debt-swapped companies.

Such optimism will soon be put to the test, with the Government's plan to sell off ENTel, the state-run telecommunications company. By the end of June, if all goes to schedule, the successful purchasers of the two new halves of ENTel will be announced.

ENTel is not only the test case for Mr Menem's privatisation programme; it is also the test case for debt-equity conversion schemes such as the APDT fund is aimed at.

ENTel has been valued by the Government at $3.5bn. Sixty per cent of it is up for sale at $1.8bn, with $213m cash and the bulk to be covered by debt-equity conversion. But the terms and figures involved in the conversion are being muddied by the day.

Political opponents of the scheme, who include a large number of the Government's own Peronist Congressional members, seem to have managed to force a change to the basic conditions of sale, watering down guaranteed profits and fixing a minimum amount of debt to be exchanged.

Such last-minute changes, arriving long after interested purchasers thought the terms were fixed, seriously damage confidence.

However, Banco Roberts, an Argentine commercial bank which has close ties with Midland and has advised the Government on the sale of ENTel, argues that in fact no limit has been placed on the amount of debt which potentially can be exchanged.

Banco Roberts officials suggest that, far from less than $2bn of debt, competition among interested buyers – such as Nynex, Telefonica of Spain and Cable and Wireless of the UK – is such that, to win the bid, they will compete among themselves to offer greater quantities of debt, perhaps in excess of ENTel's $3.5bn net asset value.

So far the game is delicately poised, hanging on more precise political definitions from Mr Menem.

Liffe volume doubles in first quarter

By Deborah Hargreaves

TRADING volume on the London International Financial Futures Exchange (Liffe) soared in the first quarter of the year to 9.4m contracts, almost double the 1989 level.

The 93 per cent rise in trading at Liffe outstripped volume growth at the exchange's main European competitor, the Marche à Terme International de France (Matif), where trading was up by 20.6 per cent at 8.7m lots.

Liffe's burgeoning volume this year has been based on a surge in trading in German bund futures. This was up almost threefold on last year's level to over 3m contracts. Short sterling futures also nearly doubled to trade 1.4m lots.

The Matif's interest rate futures contracts have contributed to steady growth this year, but none has seen the sort of volume boost experienced at Liffe.

The exchange's notional 10-year bond was up 20 per cent to 5m lots and its CAC 40 stock index futures rose to 328,871 contracts.

Liffe is so far winning the battle on Euromark futures, where the contract traded 737,426 in the first quarter compared with 265,630 lots on the Matif.

The link-up between Liffe and the London Traded Options Market announced on Tuesday will create the largest derivatives exchange in Europe, which will be in a strong position for growth and competition on world markets.

BMW enters syndicated loans market

By Norma Cohen

BAYERISCHE Motoren Werke (BMW), the German auto manufacturer, is tapping the international syndicated loans market for the first time, raising a $1bn revolving credit facility arranged by Dresdner Bank and J.P. Morgan.

Terms of the facility will initially allow four BMW subsidiaries in different countries to borrow funds in a variety of currencies.

BMW has previously depended on a series of bilateral lending agreements for funds, which did not offer the flexibility of the current facility.

Drawings will carry a margin of 9 basis points if less than $333m is outstanding, rising to 13 basis points if up to two-thirds of the facility is drawn and to 19 basis points if more than two-thirds of the funds are drawn.

There is also an 8 basis point facility fee.

All borrowings by BMW subsidiaries are guaranteed by the parent company.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 4

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria 9½ 93	140	100¼	101⅛	+0⅛	−0⅛	9.22
B.F.C.E. 8⅛ 94	175	†96⅞	96⅞	+0⅛	−0⅛	9.32
B.F.C.E. 9¼ 95	150	99⅝	99⅞	+0⅛	−0⅛	9.35
Brit. Tel. Fin. 9⅞ 98	250	—	—	—	—	—
Canada 9 96	1000	99⅞	100	0	−0⅛	9.05
C.C.C.E 9¼ 95	300	97⅞	100	0	−0⅛	9.31
Cr.Local France 8⅞ 99	250	95⅛	96	0	−0⅛	9.48
Credit National 7⅞ 92	100	96⅞	97⅛	−0⅛	0	9.17
Credit National 9½ 92	160	†100¼	100⅞	0	−0⅛	9.25
Denmark 8¾ 94	150	†95⅞	96	−0⅛	−0⅛	9.46
E.E.C. 7 91	100	96⅞	97⅛	+0⅛	0	9.06
E.E.C. 10 93	140	†101⅞	102	0	−0⅛	9.30
E.I.B. 8½ 99	150	†94	94½	+0⅛	−0⅛	9.42
Eurofima 10⅛ 93	100	†102	102⅞	0	−0⅛	9.27
Elec. De France 9⅛ 99	200	†100	100⅛	0	−0⅛	9.45
Euro.Credit Card Tst. 9 95	750	97⅞	98	0	0	9.59
Finland 9 96	250	98⅛	98⅝	0	−0⅛	9.32
Finn.Exp.Cd. 8½ 92	200	†98⅛	98⅞	0	−0⅛	9.37
Finn. Exp. Cd. 9⅞ 95	200	†99⅞	100⅛	+0⅛	0	9.38
Ford Motor Credit 8 91	250	†98⅞	99⅛	+0⅛	+0⅛	0.09
G.E.C.C. 10½ 91	300	101⅛	101⅞	−0⅛	+0⅛	0.09
G.M.A.C. 8⅜ 94	500	†96⅞	96⅞	−0⅛	−0⅛	9.66
G.M.A.C. 9 96	300	96⅞	97⅛	+0⅛	−0⅛	9.64
Gen.Mtrs.Corp. 9⅛ 92	200	†99¼	99⅞	+0⅛	−0⅛	9.33
Honda 9⅞ 97	300	99	99⅞	0	−0⅛	9.80
IBM Credit Corp. 8⅝ 92	400	99⅛	99⅝	+0⅛	+0⅛	8.87
IBM Credit Corp. 8⅞ 91	250	†99	99⅛	0	0	9.34
IBM Credit Corp. 9 92	250	99⅛	100	0	−0⅛	9.15
IBM Credit Corp. 9⅛ 92	250	100⅛	101	+0⅛	0	9.02
Italy 8½ 94	1500	96⅛	97⅞	0	−0⅛	9.31
Italy 9½ 95	1000	100⅛	100⅝	0	−0⅞	9.36
Italy 9⅝ 99	1000	100½	101⅛	0	−1	9.49
Itoh C. W/W 4⅝ 94	1000	92⅛	93⅛	+0⅛	−3⅛	6.53
Japan Dev. Bank 10 96	200	—	—	—	—	—
KFW Intl. Fin. 9 94	300	98⅛	99⅛	0	−0⅛	9.26
L.T.C.B. of Japan 8⅞ 96	200	95½	96⅛	0	−0⅛	9.62
L.T.C.B. of Japan 9⅛ 92	200	†99⅛	99⅝	0	−0⅛	9.49
New Zealand 9 94	850	97⅞	98⅛	0	−0⅛	9.51
Nippon Tel.&Tel. 8½ 96	200	95⅛	95⅝	−0⅛	−0⅛	9.44
Nippon Tel.&Tel. 9⅞ 98	250	99⅛	99⅝	+0⅛	−0½	9.45
Norway 8⅞ 93	500	†98⅞	99⅞	0	−0⅛	9.09
Oesters Kontbk. 9¼ 94	350	†99⅛	100⅛	+0⅛	−0⅛	9.46
Sumitomo Corp. W/W 4 93	2500	96⅛	97⅞	0	−4	4.93
Sweden 8⅞ 96	200	97⅞	97⅞	0	−0⅛	9.28
Toyota Mtr.Corp. W/W 4 93	1500	†98½	99½	0	+0⅞	4.34
Victorian Rep 11⅝ 92	150	103⅝	104⅛	−0⅛	−0⅛	9.46
Union Bk. Switz. 9⅛ 02	225	96⅞	97	−0⅛	−0⅞	9.61
World Bank 8⅞ 99	1500	95⅝	96⅛	0	−0⅝	8.87
World Bank 9 97	300	†98½	99	0	−0⅞	9.22
World Bank 9 93	300	99⅛	100⅛	+0⅛	−0⅛	9.02
World Bank 9⅛ 98	300	—	—	—	—	—
World Bank 9⅝ 99	500	101⅛	101⅝	0	−0⅝	9.38
World Bank 9¾ 96	300	*102⅛	102⅞	0	0	9.27

Average price change... On day +0 on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	88⅞	89⅝	+0⅛	+0⅛	8.88
Austria 6⅛ 99	750	87⅞	88⅛	−0⅛	+1⅛	8.70
Bk.Frgn.Econ.USSR 7 96	750	†89⅛	90⅛	+0½	+1⅞	9.31
Bank of Tokyo 5⅞ 93	100	92⅛	92⅞	+0⅛	+0⅛	8.78
Commerzbank o/s. 5⅞ 93	300	91⅛	91⅞	+0⅛	+0⅛	8.91
Credit Foncier 6¾ 99	500	†87	87½	−0⅛	+0½	8.87
E.I.B. 6¼ 99	600	84⅞	85⅛	0	+1⅛	8.71
E.I.B. 6½ 99	300	85⅛	86⅛	−0⅛	+0⅝	8.83
E.I.B. 6⅝ 96	600	90⅛	90⅞	+0⅛	+1⅛	8.75
E.I.B. 6⅞ 95	300	90⅞	91⅛	−0⅛	+0½	8.90
E.I.B. 8 2000	500	97⅛	97⅞	−0⅛	+1⅛	8.38
Euro.Coal& Steel 7⅛ 94	100	†95⅛	96⅛	−0⅛	−0½	8.80
Eurofima 6⅛ 96	100	87	87⅞	+0⅛	+0⅞	8.98
Elec De France 5⅛ 97	300	83⅛	83⅞	+0½	+1	8.95
Hydro-Quebec 6⅞ 99	300	87⅝	88⅛	−0⅛	+1⅛	8.73
Japan Dev. Bk. 5⅞ 95	[illegible]	[illegible]	86⅛	−0⅛	+0⅛	9.00
Japan Finance 5⅞ 97	100	83⅝	84	0	+0⅝	9.05
I.A.D.B. 7⅛ 99	300	90½	91⅛	0	+1	8.72
Ireland 6½ 97	[illegible]	[illegible]	87	+0⅛	+0⅝	9.12
Ireland 7¼ 99	500	89⅛	89⅞	0	+0⅛	8.96
Malaysia 6⅛ 94	150	90⅛	91⅛	0	−0⅞	8.99
Nat. West BK. PLC 6 98	300	†84⅛	84⅞	0	+2⅞	8.76
Nippon Telg.&Tel. 6 95	400	87⅛	87⅞	0	+0⅞	9.05
Oesters. Kontbk. 5 93	300	90⅝	91⅛	+0⅛	+0⅛	8.72
Portugal 5⅞ 92	150	93	93⅝	0	+0⅛	9.07
Portugal 6⅝ 95	150	90⅛	90⅞	+0⅛	+0⅝	8.93
Royal Insurance 5½ 92	300	94⅛	94⅞	−0⅛	+1½	8.58
Turkey 6½ 95	500	86⅝	87⅞	−0⅝	−0⅞	9.86
Union Bk.Finland 5½ 94	200	88⅝	89⅝	+0½	+0⅞	9.08
World Bank 6 98	500	82⅞	83½	−0⅛	+0⅛	8.89
World Bank 6⅛ 97	600	86	86⅛	+0⅛	+0⅛	8.86
World Bank 6⅛ 99	600	87⅛	87⅞	0	+0⅞	8.76

Average price change... On day +0 on week +0⅞

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†83⅞	84	0	+0⅛	8.38
Asfinag 5 03	100	†80½	81½	0	0	7.26
B.F.C.E. 4½ 98	200	†82⅞	83½	0	−0⅝	7.28
B.M.W.Fin.Neth. 5 13	150	†73	75	0	+0⅞	7.38
Britannia B/S. 4⅞ 94	100	†85	85½	0	−0⅛	8.56
CIR. Int. W/W 3 93	125	†84	84½	0	+0⅝	8.69
Credit Lyonnais 4⅞ 00	100	†78	80	+0⅛	+0⅛	7.82
E.I.B 4⅝ 98	150	†82	82⅛	+0⅛	+0⅝	7.60
Finn. Exp. Cd. 8⅛ 92	75	†96	97	−0⅛	+0⅛	9.85
Fletcher Chall. 4⅞ 98	150	†73	75⅛	0	0	9.44
I.A.D.B. 6 2004	200	†87	88	+0⅛	−0⅛	7.43
Kobe City 4⅝ 98	150	†82	83	+0⅛	−0⅛	7.54
Leeds Perm. B/S. 4⅞ 93	200	†88	88½	+1⅛	+0⅝	8.70
Malaysia 5⅛ 98	100	†84	84½	0	+1⅛	7.91
Maxwell Comm.Crp. 5 95	150	†81	82	−1½	−0⅝	9.68
Nat.Bk. Hungary 5½ 94	75	†83	84	0	−0⅝	10.05
Nationwide Ang. B/S. 4 93	200	[illegible]	87	0	−0⅛	8.93
Prov. Newfoundland 5 03	150	†79	80	0	0	7.43
Thailand 4⅝ 95	200	†85	87	0	0	7.97
World Bank 5 03	150	†80½	81½	+0⅝	+0⅞	7.27

Average price change... On day +0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	98⅞	99⅛	−0⅛	+0⅛	0.07
Canada 5⅞ 95	80	95	95⅛	−0⅛	+0⅛	7.32
Cr.Local France 6⅛ 94	300	95	95⅛	0	+0⅛	6.70
Denmark 6⅛ 95	300	94⅞	95⅛	0	+0⅛	6.70
E.I.B. 4⅞ 93	30	93⅞	94⅛	−0⅛	+0⅛	7.23
Norway 5⅞ 95	50	91⅛	91⅞	−0⅛	+0⅝	7.27
Sweden 4⅝ 93	50	92⅛	92⅞	0	+0⅛	7.36
World Bank 5⅛ 96	10	86½	87⅛	−0⅛	+0⅛	7.39
World Bank 7 94	20	98⅞	99	−0⅛	+0⅛	7.36

Average price change... On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10⅛ 94 C$	150	90⅛	90⅞	0	−1⅛	13.19
Abbey Nat. 11⅞ 93 £	100	—	—	—	—	—
Aegon 7⅞ 92 FL	100	97½	98⅛	0	−0⅛	8.08
Alg. Bk. Ned. 5⅞ 93 FL	200	91	91½	0	+0⅛	9.27
Austria 7½ 94 ECU	100	89⅞	89⅞	−0⅛	+0⅛	10.85
Barclays Aus.13½ 91 A$	100	97⅞	97⅞	−0⅛	−0⅛	15.17
Bell Canada 10⅞ 04 C$	200	90	90⅝	−0⅛	−1⅛	12.35
BP Capital 9⅞ 93 £	100	89⅛	89⅞	0	+0⅞	14.49
British Airways 10 98 £	100	82⅛	82⅞	+0⅛	+0⅛	13.75
Brit. Telecom 9½ 93 £	150	88⅞	88⅞	+0⅛	+0⅛	14.51
Comm.Bk.Aust. 12⅞ 93A$	100	†94⅛	94⅛	−0⅛	−0⅛	14.90
Comm.Bk.Aus.13⅞ 94 NZ$	60	101⅛	102⅛	0	+0⅛	13.06
Credit Foncier 9 96 Ecu	100	92	92⅛	−0⅛	0	10.74
CrLocalFrance 9⅛ 92Ecu	100	*†97⅛	97⅞	0	0	10.48
CrLocalFran.10⅛ 95 Ecu	225	98⅛	98⅞	−0⅛	+0⅛	10.68
Dent. Bk.Aus. 13⅞ 93 A$	125	97⅛	97⅝	−0⅛	−0⅛	14.27
Deutsche Bk.Fin. 15 94 A$	100	101⅞	101⅞	0	−0⅛	14.42
Elec. De France 9⅛ 99C$	150	85⅛	86⅛	0	−1⅛	12.37
E.I.B. 7 96 LFr	100	92	93	—	—	8.69
E.I.B. 7⅛ 99 FL	150	89⅝	90⅛	+0⅛	+0⅞	8.73
E.I.B. 9 99 Ecu	150	90⅛	91⅛	−0⅛	−0⅞	10.59
E.I.B. 10 97 Ecu	800	97⅛	97⅛	0	+0⅛	10.52
Eurofima 7⅞ 94 Ecu	100	90⅛	91	−0⅛	+0⅛	10.68
Fed. Bus. Dv. Bk. 9⅞ 92 C$	75	†93⅞	94⅛	0	−0½	12.98
Ford Cr.Can.10⅞ 93 C$	100	†95⅛	95⅝	−0⅛	−0⅛	12.75
Ford Cred.Can.10⅞ 96C$	125	†91⅛	91⅞	+0⅛	−1⅛	12.97
Ford Cred.Fund.10⅛ 93£	60	89½	90	+0⅛	+0½	14.54
G.M.A.C.Canada 11 3/4 94C$	100	95⅞	96⅛	0	−0⅛	13.03
Heineken 7⅝ 94 FL	150	95⅞	96½	+0⅛	−0⅛	8.10
Hydro-Quebec 11 99 C$	400	92⅛	92⅞	−0⅛	−1½	12.43
Lloyds Bank 10⅛ 98 £	150	82½	83	+0⅛	+0⅛	13.97
Lloyds Bank 11⅞ 98 £	100	87⅛	88	−0⅛	+0⅝	13.88
Nat. Aus. Bk. 14⅞ 94A$	100	100	100⅝	−0⅛	−0⅝	14.67
New Zealand 9½ 93 £	100	88⅛	88½	0	+0⅞	14.49
O.E.K.B. 10⅛ 99 C$	150	88⅛	88⅞	0	−1⅞	12.35
Royal Bk.Scot.10⅝ 98 £	125	84⅝	85⅛	+0⅛	+0⅝	13.93
Saskatchewan 10⅞ 93 C$	200	92⅞	93	−0⅛	−1⅛	12.88
State Bk.NSW. 13⅞ 93A$	100	97⅝	97⅞	−0⅛	−0⅛	14.68
Sweden 7½ 93 Ecu	250	90⅞	91⅛	0	+0⅛	10.59
Sweden 15 94 A$	100	101⅝	102⅛	−0⅛	−0½	14.3[illegible]
Toyota Mtr.Cr.10⅞ 94C$	150	91⅞	91⅞	−0⅛	−1⅛	12.[illegible]
Toyota Mtr.Cr.11⅞ 92C$	150	97⅛	97⅝	0	−0⅝	12.80
World Bank 7⅛ 99 FL	300	89⅝	90⅛	+0⅛	+0⅞	8.77
World Bank 9½ 95 Ecu	100	95	95½	−0⅛	−0⅞	10.80
World Bank 10⅞ 94 £	200	98⅛	90½	+0⅛	+0⅞	13.95
World Bank 13⅞ 92 A$	100	98½	99	−0⅛	−0½	13.95
World Bank 14⅛ 94 A$	75	99⅛	99⅞	−0⅛	−0⅛	14.34
Zentrspk. 13⅛ 93 A$	75	†97⅞	98⅛	+0⅛	+0⅛	13.88

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.86	99.91	24/04	15.33
Bank of Greece 99 US	10⅛	98.37	98.62	8/03	9⅛
Belgium 91 US	0	99.96	100.06	21/08	8.32
Chelt.& Gloucester 94 £	.063	99.75	99.80	31/05	15⅛
Credit Foncier 98 US	.063	99.65	99.75	20/04	8.31
Dresdner Finance 99 DM	1.031	100.16	100.26	28/04	6.97
EEC 3 92 DM	†0	100.45	100.55	21/08	9
Halifax BS 94 £	.1	99.99	100.04	9/05	15.22
Invt. In Industry 94 £	0⅛	99.94	100.03	17/04	15⅛
Leeds Perm. B/S. 94 £	0⅛	100.07	100.12	17/04	15.37
Milk Mkt.Brd. 5 93 £	0⅛	99.89	99.94	29/03	15⅛
New Zealand 5 97 £	.07	99.95	100.05	22/05	15.06
Northern Rock 92 £	0⅛	99.79	99.84	30/04	15.18
State Bk. New. 98 US	.188	99.55	99.80	14/08	8.56
Woolwich Equit. BS. 93 £	0⅛	100.00	100.05	17/04	15.37
Woolwich 5 95 £	0⅛	99.94	99.99	22/05	15⅛

Average price change... On day −0.01 on week +0.00

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6⅛ 02 US	8/87	62.	108½	109½	−0⅛	6.21
Amer. Brands 5⅞ 05 US	4/90	79.	99⅞	100⅝	+0⅛	21.07
Asda 4⅞ 02 £	3/87	1.64	101½	102½	+0⅛	60.85
CBS. Inc. 5 02 US	14/87	200.	95½	96½	+0⅛	7.33
CRH Capital 5⅛ 05 US	14/90	3.32	98½	99½	0	14.92
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	69	70	−2⅞	15.18
Daiwa Bank 3⅞ 95 US	2/90	1628.	84⅛	85⅝	−2⅛	6.45
Primerica 5½ 02 US	4/87	66.75	71	72	+0⅛	70.45
Eng.China Clay 6½ 03 £	9/88	4.8	82⅛	83⅛	−1⅛	3.55
Fujitsu 3 99 US	5/84	1106.	183½	184½	−11⅞	−6.13
Ladbroke Grp. 5⅛ 04 £	6/89	3.55	96	97	0	16.13
Land Secs. 6⅞ 02 £	6/87	6.72	80⅞	81⅞	+0⅛	9.35
Minolta Camera 2⅞ 94DM	2/86	1004.	94⅛	95⅛	0	13.21
MCA Inc 5⅞ 02 US	9/87	69.62	89⅞	90⅛	−0⅞	23.74
Mitsubishi Bk. 3⅛ 04US	5/89	3266.	66½	67⅛	−0½	14.02
Next Plc 5⅛ 03 £	11/87	4.3	96⅛	97⅛	+0⅛	364.64
Nishi Nipp.Bk.2⅞ 03 US	4/88	804.	109⅞	110⅞	−6½	−3.54
Omnicom Inc. 6 1/2% 04 US	7/89	28.	101⅛	102⅛	−0⅝	23.78
[illegible] 2⅞ 02 US	4/87	1310.	221	222⅛	−6⅞	2.87
Ranks Hovis 4⅞ 03 £	1/88	3.5	108⅛	110	−0⅝	0.10
Redland 7⅛ 02 £	1/87	5.4	100	101	−0⅛	−8.97
Saatchi&Saatchi 6⅛ 03 £	10/89	4.41	66⅛	67½	0	132.65
Sumitomo Bank 3⅛ 04 US	2/89	3697.	59⅞	60⅛	+0⅛	21.57
Texas Inst. 2⅞ 02 US	9/87	82.87	75⅛	76⅛	+0⅛	72.85
Utd.N'papers 8 04 £	10/89	8.77	131⅛	132⅞	+4⅝	231.58
W.R. Grace 6⅛ 02 US	9/87	42.12	88⅛	89⅛	+0⅛	23.42

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Nestlé first issue exploits strong lira

By Norma Cohen and Deborah Hargreaves

YESTERDAY saw the first borrowing by the perennial favourite of Swiss investors, Nestlé, on the Euromarkets in what was seen as a highly successful issue in lire.

High coupons on lire bonds and the strength of the currency within the European Monetary System have combined to make issues in that currency attractive. Nestlé Holdings (Delaware), issued a L100bn three-year offering carrying a coupon of 13¾ per cent and was priced at 101½.

At a discount equal to full fees, the Nestlé bonds are yielding 12.9 per cent. But dealers said the bonds were well within the 1⅝ per cent fees at less 55 to less 45 basis points.

A FFr1bn seven-year offering for the World Bank also received attention. This is its borrowing in that currency in a year. The bonds carry a coupon of 10 per cent and were priced at 101½ to yield 47 basis points over the interpolated yield of two seven-year OATs.

Lead manager was Crédit Commercial de France, which launched the deal with a group of 19 co-lead managers and no co-managers. The bonds traded late yesterday at a discount equal to full fees of 1⅝ per cent bid.

The A$75m issue of bonds for Eurofima which was launched by Deutsche Bank found some demand in a falling domestic bond market, but did not sell as quickly as expected. Deutsche Bank had sold half its allotment of bonds last night and Westpac, which was a co-lead, said it had sold out.

Meanwhile, two new offerings of convertible preference shares emerged, the larger of which was a £100m issue for ADT, convertible into shares of British Airports Authority.

ADT thus becomes the latest company to use an offering of convertible shares to finance a holding in a second company. ADT has a 9 per cent stake in BAA and if all the preference shares were converted, its stake would be cut roughly in half.

The coupon on the preference shares is 8 per cent, below what ADT would have to pay on an interbank line used to finance its share purchase.

The shares offer investors a put option after five years, which, when final terms are fixed, will pay 50 to 75 basis points over UK Government's 12 per cent bonds due 1995.

Lead manager Credit Suisse First Boston is selling the securities on a fixed-price reoffered basis at par.

The other convertible preference share offering was for $50m for First Pacific Co whose shares are traded on the Hong Kong Stock Exchange and whose business is concentrated in Hong Kong. It was the first such offering of shares for a Hong Kong company since the student revolt in Tiananmen Square last June, and only the third convertible share offering for a Hong Kong company to be sold in London. The shares are indicated at 7 to 7½ per cent with a conversion premium of 12 to 16 per cent. There is an investor put option after five years, which will give investors a spread of 120 to 130 basis points over five-year US Treasuries.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
FRENCH FRANCS						
World Bank(a)♦	1bn	10	101½	1997	1⅞/1⅛	Credit Comm. de France
LIRE						
Nestle Holdings Inc.(a)♦	100bn	13¾	101½	1993	1⅝/⅞	San Paolo Bank
D-MARKS						
Turkey, Republic of(a)♦	250	10	102	1997	2¼/1½	Commerzbank
STERLING						
ADT Ltd.(b)§	100	8	100	2005	2½/1½	CSFB
AUSTRALIAN DOLLARS						
Eurofima♦	75	14⅝	101.80	1994	1⅞/1¼	Deutsche Bank Cap. Mkts
US DOLLARS						
First Pacific Co.(c)§	50	(7-7½)	100	2000	2½/1½	J. Henry Schroder Wagg
Nissho Iwai UK(Cayman)(a)♦	20	8⅝	101⅞	1993	1⅝/⅞	IBJ Int.

§Convertible. ♦Final terms. a) Non-callable. b) Redeemable preference shares. Exchangeable bond into ordinary shares of BAA Plc. Put option July 1995 to yield 50-75bp over 12% 1995 gilt. Call from July 1993 at 100 subject to BAA shares exceeding the exchange price by percentage equal to put premium. Option to pay investor cash equivalent of market value of BAA shares. c) Convertible preference shares. Call after 30 days at 105% declining to par subject to 130% rule, further call from year six at 100. Put 1995 to yield 9¾%.

Defaults on corporate bonds surge in US

By Janet Bush

US CORPORATE bond defaults surged in the first quarter of this year and will probably total more than $15bn for the full 12 months, according to the Bond Investors Association, a Florida-based analyst.

In a report published yesterday, the association said that 13 corporate bond issuers had defaulted on 38 issues totalling $5.7bn in the quarter, compared with $1.3bn in corporate defaults in the first three months of 1989. Even excluding the $3.5bn default of Campeau Corporation's US retail subsidiaries, the default rate was up 64 per cent from a year ago.

Mr Richard Lehmann, president of the association, said: "In light of the first-quarter results and given the number of issues on the brink of default, we feel our prediction of $15bn in defaults for 1990 may have been optimistic."

Moody's Investors Service, the credit-rating agency, said in January that corporate defaults were set to outstrip the $9.3bn total on long-term debt seen in 1989. Mr Lehmann said that the growing default rate reflected the explosive growth of the junk bond market since 1985 and a general worsening in credit quality.

He said default rates would remain high until poorly structured companies trying to support impossible debt loads were restructured.

Municipal bond defaults so far reported in the first quarter total $276.1m, lower than a year ago. Mr Lehmann said he expected the number of municipal bond defaults to drop this year because there were less double digit interest rate bonds outstanding. However, he warned: "The singular event we see that could make 1990 a record year for municipal defaults would be a default by Executive Life on the $1.7bn in municipal bonds backed by their guaranteed investment contracts."

Executive Life is the main subsidiary of First Executive, the Los Angeles insurer which is in financial trouble because of its substantial holdings of distressed junk bonds.

Treasuries move sharply higher in flight to quality

By Janet Bush in New York and Deborah Hargreaves in London

US TREASURY bonds moved sharply higher yesterday, mostly on a flight to quality due to unconfirmed rumours that a Japanese financial house may be experiencing trouble because of the sharp drop in share prices in Tokyo in recent weeks. In late trading the benchmark long bond was quoted a full point higher for a yield of 8.51 per cent.

The hectic buying of Treasuries came on fears that Japanese markets could have an extremely rough session overnight. There was some scepticism about the validity of the rumours because they did not appear to have any impact on the yen.

The market had been modestly higher before the rumours started circulating, on emerging optimism that tomorrow's March employment figures will show a deceleration in the rate of job creation. The non-farm payroll is expected to have gained between 150,000 and 200,000 last month, a much smaller rise than the 372,000 jump seen in February. Anything towards the bottom of that range could help boost prices, bond traders said.

Another concern of the market is the weekend meeting of the Group of Seven leading industrialised nations.

Morning trading yesterday was uninspired as traders waited for details of next week's seven-year bond auction and the sale of 40-year Resolution Funding Corp bonds. The $7.5bn size of the seven-year sale was in line with forecasts but the $3.5bn total for the Refcorp auction was smaller than expectations of an auction of $4bn to $4.5bn.

■ WEST GERMAN bond prices edged lower for the third day in a row as the market remains stuck in a technical trading range which it is finding hard to break. The cash market remains cautious over the continuing debate on the appropriate rate of exchange for East German marks in the run-up to union of the two currencies.

Bond prices were 10 to 15 pfennigs lower at the fixing when the 7¾ per cent 2000 bond was fixed at 95.55 compared with 95.69 on Tuesday. The yield rose to 8.43 per cent after a previous yield of 8.40 per cent.

The futures contract on the London International Financial Futures Exchange (Liffe) remained locked around the 84 level and closed at a price of 84.25. It was a dull day for trading on the exchange and activity was light.

Mr Helmut Haussmann, the West German Economics Minister, commented that inflation pressures in the economy had still not been solved, but his opinion failed to move the subdued market.

The market continues to be concerned about coming wage talks at IG-Metall, the country's largest union of metalworkers. West German construction industry workers settled yesterday on pay rises of 5.8 per cent and 6.3 per cent, but IG-Metall is asking for increases of up to 9 per cent and a reduction in the working week.

■ THE FRENCH government bond market moved higher yesterday, but more on the back of demand for recent corporate bond issues than because of much interest in government bonds. Investors are sitting out the government bond market in anticipation of the Treasury's bond auction today.

The French Government is due to auction FFr8bn to FFr10bn of 10-year and 30-year bonds and the market expects yields to come out at around 9.5 per cent on the 10-year issue and 9.6 to 9.63 per cent on the 30-year issue.

The Government said yesterday it was reviewing its list of primary dealers in the government bond market and would be announcing changes in May. Brokers said this could mean some of the smaller players which have become dealers in the second-tier of the market being knocked off the list after some complaints surrounding their capabilities in the market.

■ THE UK gilts market saw a slightly firmer tone yesterday on the back of an improvement in sterling. The Bank of England's trade-weighted index closed at 87.8 after a close on Tuesday of 87.4. However, the government bond market remained thin with little activity.

■ THE AUSTRALIAN bond market has seen a sell-off in the last few days as the Government cut interest rates by 1 per cent, which was less than the market had expected.

The benchmark July 2000 bond was trading at a yield of 13.64 per cent yesterday – a rise from a yield of 13.45 per cent several days ago.

International investors have stayed out of the market recently as they remain concerned over the high Australian dollar and the outlook for inflation.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	92-09	+9/32	13.18	13.43	13.19
		10.500	5/99	90-10	+15/32	12.28	12.54	12.17
		9.000	10/08	82-15	+17/32	11.28	11.48	11.11
US TREASURY *		8.500	02/00	99-23	+20/32	8.54	8.54	8.56
		8.500	02/20	99-29	+101/32	8.51	8.49	8.57
JAPAN	No 119	4.800	6/99	86.5359	+0.217	7.24	7.34	7.00
	No 2	5.700	3/07	88.2073	+0.355	7.25	7.26	6.78
GERMANY		7.125	12/99	91.4500	-0.100	8.44	8.59	8.83
FRANCE	BTAN	9.000	02/95	95.8927	-0.035	10.09	10.36	10.64
	OAT	8.500	03/00	93.3700	+0.070	9.55	9.73	10.19
CANADA *		9.250	12/99	88.5000	+0.175	11.23	10.97	10.69
NETHERLANDS		7.750	01/00	93.9750	-0.046	8.68	8.77	9.15
AUSTRALIA		12.000	7/99	81.4784	-0.341	13.63	13.37	13.71

London closing, *denotes New York closing session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Yasuda credit rating cut on property fears

By Ian Rodger in Tokyo

MOODY'S Investors Service, the New York-based international credit-rating agency, yesterday lowered its rating of long-term deposits in Yasuda Trust and Banking from Aa3 to A1, citing its exposure to Japan's domestic real estate market.

Following the slump in Japan's stock markets, worries about a similar slide of the country's high property prices have been growing.

Moody's said that Yasuda, Japan's fourth largest trust bank, had "a considerable direct exposure to the domestic real estate sector" in common with other trust banks. Moreover it "has an even higher indirect real estate exposure through its lending to non-banks, which in turn make loans to lower quality real estate companies."

It has already lowered the ratings of Mitsubishi Trust and Banking and Sumitomo Trust and Banking, the largest and second largest trust banks, from Aa1 to Aa2, and that of Mitsui Trust and Banking, the third-ranked, from Aa2 to Aa3.

Mr Roger Arner, executive vice president of Moody's Japan, said yesterday that the agency was concerned both about the possible impact of a slump in property prices on the trust banks and about the impact of deregulation. "There is a continuing erosion of their franchise, such as the loss of their exclusive right to manage pension funds."

Mr Arner warned against putting too much emphasis on the figures: "Our ratings are not just the result of a numerical calculation. They are a very subjective judgment."

The downgrading of Yasuda to A1 also applies to the senior debt of Yasuda's guaranteed subsidiary, Yasuda Trust and Finance (Hong Kong). However, ratings of Yasuda Trust's short-term deposits and commercial paper remain unchanged at Prime-1.

Bruce Jacques writes from Sydney: Moody's has announced it may downgrade the long-term deposit rating of ANZ Bank, the Australian bank, from the current Aa3 status.

Moody's said the review was prompted by the bank's planned A$3.4bn (US$2.6bn) investment in the National Mutual insurance group.

"The review will focus on the economic benefits of the proposed deal and the cost for debt holders, because ANZ intends to finance this sizeable equity investment without issuing stock," Moody's said.

TRUST BANK DOMESTIC LOANS
Year to March 31 1989 (Ybn)

Bank	Finance & Insurance	Real Estate	Total
Mitsubishi	2,184	1,502	9,298
Sumitomo	2,589	1,410	9,300
Mitsui	2,010	1,651	8,034
Yasuda	2,005	1,038	7,272

Source: Mitsui & Co

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Wednesday April 4 1990

[illegible]

FIXED INTEREST

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	93	0	4
Corporations, Dominion and Foreign Bonds	9	0	17
Industrials	293	347	903
Financial and Properties	139	151	424
Oils	25	24	43
Plantations	1	3	6
Mines	41	35	81
Others	88	54	109
Totals	689	664	1,507

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings April 2
- Last Dealings April 12
- Last Declarations July 5
- For settlement July 16

For rate indications see end of London Share Service

Calls in Gaelic Res., Next, Mecca Leis., Ivernia West, Stonehill, Rockwood, GEC, Blacks Leis. and INOCO. Put and call in Tusker Res.

LONDON TRADED OPTIONS

A FAIRLY calm session in the FT-SE 100 index futures and options markets was featured by brief bouts of excitement over the progress of the pound and in a small batch of special situation stocks.

The FT-SE June futures contract opened against a mixed and uncertain background, with New York equities firm but Tokyo still weak overnight.

After a very quiet morning, when the contract traded at a modest 20 point premium, it moved up smartly at midsession when the pound took a turn for the better.

At best the premium ranged to around 40 points, but the edge was taken off the futures and options markets by a disappointing start to the new session across the Atlantic, where there was some early and aggressive selling of the Standard & Poor's futures contracts.

By the close, the premium on the Footsie contract had returned to 23 points, with the futures markets notably ignoring nervous hints of an impending rights issue in the underlying stock market.

Traders commented that, with the professionals unable to make profits in the desultory morning session, there was a general withdrawal during the latter part of the day.

Turnover on the London Traded Options Market, enlivened by a visit from the television camera crews, was topped by Hanson, which recorded 3,738 lots. James Capel, the London brokerage house, was active in Hanson, selling 500 of the May 260 and the August 240 contracts, and buying May 240 and August 220 contracts.

A convertible issue by ADT focused attention on the British Airport Authority options, with some traders selling BAA under the mistaken apprehension that the ADT issue would reduce the chances of an all-out bid for BAA from ADT. But Barclays de Zoete Wedd was an aggressive buyer of the BAA Nov 390 calls.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*432)	420	22	33	46	5	17	20
	460	4	16	29	30	40	43
	500	½	6	15	70	72	73
ASDA (*103)	100	6½	13	15	2½	5	7½
	110	1½	7½	9	7½	10	13
	120	1	4½	6½	18	18	20
Brit. Airways (*200)	180	22	25	31	1	5½	6½
	200	6½	11	21	5	14	16
	220	1	3½	11	22	26	28
Utd. Biscuits (*317)	300	22	36	46	3	8	10
	330	4	18	28	17	20	23
Unilever (*655)	650	10¼	35¼	57½	16¼	24½	27¼
	700	2	14¼	32¼	62	62½	65
Ultramar (*367)	360	16	35	45	7	14	18
	390	5	18	30	28	32	35

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit. Aero (*510)	500	30	58	70	17	22	32
	550	13	33	45	45	52	58
BAA (*386)	360	37	46	62	4	8½	11
	390	16	28	44	12	20	25
BAT Inds (*785)	750	60	88	108	10	15	22
	800	25	53	77	27	32	38
BTR (*421)	420	20	37	45	11	17	21
	460	5	18	27	40	41	42
Brit. Telecom	260	14	22	26	5	10½	11
[illegible]							

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
[illegible] (*72)	70	8	12	15½	5	7½	8½
	80	3½	8	11	11	12	13
Barclays (*578)	550	53	68	83	10	14	17
	600	20	36	55	30	33	[illegible]
Blue Circle (*209)	200	16	23	29	7½	10	12
	220	6	12	16	22	23	24
British Gas (*206)	200	15	17	23	4½	7½	9½
	220	4½	8	14	14	19	19
Dixons (*121)	120	9½	14	16	7	11	12
	130	5	8½	10½	12	15	18
Glaxo (*798)	775	62	–	–	18	–	–
	800	47	79	94	30	35	42
Hawker Sidd. (*605)	600	40	65	75	30	48	60
	650	16	40	53	65	82	90
Hillsdown (*226)	220	16	26	30	6	10	12
	240	6	14	20	17	[illegible]	23
[illegible]							

Plantations company records modest advance as it diversifies
Harrisons & Crosfield at £130.7m

By David Owen

A REDUCED contribution from plantations, largely owing to a previously announced sale, restricted Harrisons & Crosfield to a 6 per cent advance in pre-tax profits for the year to December 31.

In recent months the group has been diversifying steadily into building supplies, foods and chemicals, away from its traditional commodity trading and plantations mainstays. Recent moves undertaken in keeping with this realignment have included the purchases of Pfizer Pigments and Edward Baker Holdings, the pets food maker, and the sale of a large part of its general trading unit.

Earlier this week, H&C signed an agreement with Milwaukee-based Universal Foods to dispose of the bulk of its loss-making Felton Worldwide flavours and fragrance business for some $30.5m (£18.6m). According to Mr George Paul, chief executive, the group will announce a further acquisition in the food sector "within days."

Tony Andrews

David Hopkinson, chairman, with his chief executive, George Paul (left) and Bill Turcan, finance director

Helped by a £4.4m reduction in interest payable to £19.1m, pre-tax profits edged ahead to £130.7m, against £123.3m in 1988. Turnover rose 6.4 per cent to £1.92bn (£1.8bn).

Besides contributing to a 41 per cent reduction in operating profit from plantations, the group's £145.5m sale last March of its stake in Harrisons Malaysian Plantations produced a £75.9m extraordinary gain.

The transaction resulted in no material change in net assets, however, since the investment was carried in the 1988 balance sheet at a revalued amount about equal to net after- tax proceeds.

Shareholders' funds overall rose to £470m at the latest year-end - a gain of 11 per cent.

This compared with net borrowings of £210m, including £75m of subordinated convertible bonds, to give gearing of 45 per cent.

Food and agriculture, aided by Edward Baker which contributed £1.2m to profits in two-and-a-half months, was H&C's fastest growing operating division. The malt business was the largest contributor, although soups (H&C is the largest packet soup manufacturer for the UK private label trade) ended the year strongly. In all, the unit produced a 39 per cent increase to £26.2m in operating profit.

Timber and building supplies, spurred by a record year in northern England, produced a 27 per cent profit increment to £31.2m. Moore's, the US builders' merchant bought last August for $65m, contributed £2m in the final quarter. Profits from the chemicals and industrial division rose by 11 per cent to £55.7m.

Earnings per share, affected both by a higher tax charge and an 11m increase in the number of shares, were ahead just 2 per cent at 16.8p (16.5p). A final dividend of 5.1p is recommended, making a total of 8.5p (7.7p).

The shares rose 2p to 154p.

See Lex

Hawker Siddeley poised for US buy

By David Owen

HAWKER SIDDELEY, the UK engineering group which recently unveiled a sweeping reorganisation, is in negotiations to buy two aircraft turbine engine overhaul and repair service businesses from UNC of the US.

The expected purchase price is between $125m and $150m (£76m-£91m), according to a spokesman for the Maryland-based company. The subsidiaries – Airwork and Pacific Airmotive – had combined 1989 sales of approximately $160m and boast pre-tax operating margins of about 7 per cent.

The trade conducted by the targeted units, which have facilities in New Jersey, Florida and California, is overwhelmingly commercial. Major customers include Alaska Airlines and Midway Airlines, the US regional carriers, DHL, the package delivery business, and Latin American airlines like Venezuela's LAV.

Hawker Siddeley is currently conducting due diligence and the parties expect to reach a definitive agreement before the end of this month.

The group's reorganisation, unveiled after it announced a 10 per cent increase in pre-tax profits to £202m, is intended to create more coherent business units better able to control costs and develop long-run strategies. The company currently manufactures everything from large electric motors to sheep shearing equipment.

Tilbury just ahead of forecast with 87% increase to £27.5m

By Andrew Taylor, Construction Correspondent

PRE-TAX PROFITS at Tilbury Group last year rose 87 per cent from £14.66m to £27.46m – achieving with just £460,000 to spare the forecast made last September when the construction company was fighting an unwelcome bid from rival contractor Lilley.

These profits, as mentioned in the forecast, included pension fund surpluses of £1.1m, against nil in 1988. The previous year's figures, however, included £1.49m from the sale of group occupied properties.

Tilbury only escaped Lilley's clutches by a whisker last Autumn. The battle left Lilley with a 29.9 per cent stake in Tilbury. Phillip Holzmann, the West German contractor recently attempted to acquire this holding.

Mr Michael Bottjer, Tilbury's managing director, said yesterday: "We know Holzmann well and would not feel uncomfortable if they acquired the stake, but that is not in our control."

He said the cost of defending the bid from Lilley, included as an extraordinary item, was £1.87m.

Group turnover increased by 25 per cent from £184.54m to £231.2m. Earnings per share rose 88 per cent from 48.9p to 91.9p. "Early indications are of a promising start to trading for the current year," said Mr Bottjer.

"Despite the uncertain market conditions we believe our strengths in the growing civil engineering and specialist contracting fields, as well as our Scottish-based housebuilding activities and the opportunities offered by our property development programme, particularly the Linwood project, ensure we are well placed for the future."

Property profits provided the main engine for growth last year, more than doubling from £7.77m to £17.11m, helped by a £5m contribution from land sales at the former Chrysler car plant at Linwood. Construction profits increased from £5.68m to £8.55m.

A recommended final dividend of 22p makes 32p for the year, an increase of 94 per cent.

● COMMENT

Tilbury has achieved all that it promised at the time of its forecast last Autumn. The best performance has been in Scotland where the housing market has remained strong by comparison with the rest of the country. Average prices are up from £39,000 to £46,000. Sales volume is expected to increase further this year. Linwood, unless the company wants to go backwards, will need to approach last year's £5m from land sales but should be capable of achieving this. The market for commercial property will be weaker but profits may rise a little depending upon the timing of sales. Contracting, where Tilbury has a strong order book, should also be better. With the pressure still on for the company to perform, Tilbury should be capable of squeezing out about £30m which makes it look cheap on a prospective p/e of 6.

Slight rise for Wilson (Connolly)

By Andrew Taylor, Construction Correspondent

WILSON (Connolly) Holdings just managed last year to hang on to its 15 year record of continuous profits as UK house sales fell steeply and prices came under severe pressure in parts of southern England and East Anglia.

Pre-tax profits during the 12 months to end-December rose by just 2.4 per cent from £52.97m to £54.24m. Mr Lyn Wilson, chairman, said this was an excellent performance in the worst housing market since the group was floated 25 years ago.

Group turnover, boosted by strong performances from contracting activities and commercial property sales, rose by 19 per cent from £161.57m to £192.64m. Earnings per share rose from 19.1p to 19.6p.

Mr Wilson said the housing market remained in a fragile state. This made it very difficult to forecast the outcome for the current year.

The number of homes sold by the group last year fell by 14 per cent from from 2,100 to 1,800. Prices reductions of up to 30 per cent had been made in some locations.

East Anglia and the south coast were among the hardest hit areas, both of which are major contributors to profit.

Overall prices across the country rose on average from £59,000 to £64,500 reflecting stronger housing markets in the north of the country, particularly during the early part of last year.

Wilson's strength, however, is its long land bank of 15,300 plots. Much of this was acquired many years ago at very cheap prices; the average cost of a plot is £10,900. This gives the group much greater flexibility to maintain margins than its rivals operating with more expensive and more recently acquired landbanks.

The extent of the downturn can be measured by the fact that Wilson's housing profits last year tumbled by 18 per cent from £43.41m to £35.51m.

This was offset by an 86 per cent increase, from £8.97m to £16.7m, in commercial property profits. Contracting profits more than trebled from £584,000 to £2.03m. The sale of a 25,000 sq ft Holborn office block and of offices in Hampshire and Newport Pagnell boosted property earnings.

The proposed final dividend of 2.3p makes 3.45p (3p) for the year, an increase of 15 per cent.

● COMMENT

Wilson (Connolly), like Wilson Bowden, is a must for any long term investor in housebuilders. Both own high quality landbanks acquired at very cheap prices. This gives the companies tremendous flexibility over the timing and taking of profits. Big gains from commercial property last year meant less pressure on Wilson (Connolly) to squeeze more out of the housing side. Commercial property, however, will have to work hard to match last year's big gains. The contracting business should improve further. Despite another difficult year for housing, the group should still be capable of making £55m which puts on a prospective p/e of about 8; still worth a purchase if you have not got it in your portfolio.

Hickson shares fall as 'Black Jack' sells stake

By John Thornhill

MR "BLACK JACK" Dellal has sold his 12.9 per cent stake in Hickson International, the specialist chemicals group – ending his near two-year involvement with the company.

Hickson's shares slipped 12p to 197p yesterday as the stock was placed with various institutions at a price of 189p. It is believed that Mr Dellal showed a substantial loss on his 13.8m shares, amounting to nearly £7m.

Mr Mike Taylor, Hickson's finance director, said he was delighted that the unfriendly shareholding had been placed. "It is a relief to us that it has gone. We are pleased that it has not found a home with a predator."

Mr Dellal, a financier and property developer best known for his involvement in Keyser Ullman, the ill-fated merchant bank, in the early 1970s, first bought shares in Hickson in May 1988 and steadily built up his stake.

Hickson's share price rose rapidly in response, although it slid back in 1989 as the bid rumours evaporated.

Mr Dellal's stake, held by Allied Commercial Exporters, was placed yesterday through Smith New Court, Hickson's stockbrokers.

Mr Taylor said the placing was three times oversubscribed.

Holmes directors step down

By Andrew Hill

MR BRIAN O'Connor and Mr Tom Forrest have been persuaded to resign as directors of Holmes Protection Group several weeks before the troubled security company's annual meeting at which they were due to step down.

The two directors, who resigned as chairman and vice chairman of Holmes in January, were unavailable to comment on their accelerated departure yesterday.

However, it is thought that Wormald International, the Australian fire protection company which owns 14.6 per cent of Holmes, suggested that they resign immediately, leaving the company in the hands of the recently installed new management. Wormald has been trying to give Holmes a new direction since Mr O'Connor announced a slump in the group's 1988 profits last May.

Last week, Holmes revealed that it had fallen into the red in 1989 after non-recurring expenses. The full figures will be released in mid-May.

At the same time the group announced that Mr O'Connor and Mr Forrest would not offer themselves for re-election at the annual meeting, which should take place in June. They will together receive compensation under their contracts of $1.88m (£1.15m).

Apart from Holmes, which is listed in London but has all its operations in the US, the outgoing directors are on the board of two other quoted companies. Mr O'Connor is chairman of Cresta Holdings, an Isle of Man nursing home and property group and also sits on the board of Rockwood Holdings, the USM-quoted distribution company where Mr Forrest is chairman.

Cadbury Schweppes pays £312,500 to former director

By David Churchill, Leisure Industries Correspondent

Cadbury Schweppes, the confectionery and soft drinks group, disclosed yesterday that it had paid out compensation for loss of office of £312,500 to Mr Adrian Gozzard, its former group personnel director.

Mr Gozzard left the company last July after only seven months in the job, having been recruited by Cadbury from a similar post at Plessey. Mr Gozzard is now a senior personnel executive with the TSB group.

Details of the compensation were revealed in Cadbury's report and accounts to shareholders published yesterday.

The accounts also show that the total remuneration of the company's directors rose from £2.56m in 1988 to £3.19m last year. A Cadbury spokesman said last night that an exact comparison between the two years was not possible, because there were different numbers of directors in each year.

The highest paid director last year received £430,053, compared with £271,187 in the previous year. Cadbury declined to reveal the director's name.

Sir Graham Day, who took over as part-time chairman of the company last year, received £67,407.

Dalgety/GrandMet in £2.5m swap arrangement

By Clare Pearson

DALGETY, the foods and agribusiness group, is exchanging its cake manufacturing division for the cake mixes and sauces businesses of Grand Metropolitan, the food and drinks group. The swap involves Dalgety in a cash adjustment of about £2.5m.

Dalgety's Memory Lane cake business commands just 5 per cent of the UK market, while GrandMet has a much more significant position in the European market.

Greens and Hammonds, Grand Metropolitan's side of the swap, are to be integrated into Dalgety's Homepride division which makes a range of cooking sauces, domestic flour and baking mixes.

Strong demand lifts Butler

By Alan Cane

STRONG DEMAND for its services enabled Butler Cox, the London-based consultancy which specialises in advice to major corporations on information technology strategies, to raise pre-tax profits for 1989 by 43 per cent from £924,994 to £1.3m.

Revenues increased 24 per cent to £9.4m, well above the industry average, and earnings per share rose 60 per cent from 10.24p to 16.43p. The company ended the year with cash resources of £2.7m.

Butler Cox became a public company last May. The directors propose a final dividend of 3.5p, making a total for the year of 5.25p.

The company is one of a small number of organisations recognised for understanding how companies can best manage the introduction of new technology.

Mr George Cox, managing director, warned that there would have to be a period of consolidation while the company absorbed the impact of its new activities. The results for the first half of 1990 might not match the corresponding period of 1989.

Headlam defeats dissidents

By Jane Fuller

THE BOARD of Headlam Group, a Northampton-based footwear and fabrics company, yesterday narrowly fought off an attempt to oust it by dissident institutions.

A motion to remove Mr John Chaplin, chairman and chief executive, was defeated in a poll by the holders of 4.432m shares against 4.096m. The votes cast represented 86 per cent of the company's 9.952m shares.

The meeting was called by supporters of a would-be new management team, led by Mr Mark Vaughan-Lee, a former fund manager at MIM, and Mr Barry Giddings, the only one of the opposition quartet to own shares. Among the institutions backing them was Govett Strategic Investment Trust, which owns 15 per cent of Headlam's shares, and MIM.

Mr Giddings said after the meeting that the Headlam management had waged a personal campaign. He said his plan would have been to keep Headlam independent and improve and expand its core businesses.

The other motions included the removal of Mr David Haggett, deputy chairman, and the appointment to the board of Mr Vaughan-Lee, Mr Giddings, Mr John Irwin and Mr David Courtier-Dutton. All were roundly defeated on a show of hands.

The incumbent management will now resume discussion of a reverse takeover by Cadogan Oakley, the men's accessories and furniture maker which is part of Cadogan Estates.

Mr Chaplin said the shareholders had seen that there was "not a lot of experience" among the proposed team. He defended the present management's performance, particularly against criticism of the sale of its loss-making Cotton Oxford sportswear subsidiary for £1. The other options would have incurred cost, he said.

Also at the meeting was Mr Peter Grant, managing director of Cadogan, who will become chief executive of Headlam if the acquisition goes through. He said he was pleased the management had "warded off the boarders," but he noted the size of the adverse vote.

"We have to decide whether it was anti-us or anti the board. But it must be remembered that all but one of the requisitions was signed before our deal was announced."

Headlam's shares have been suspended at 76p since December.

China & Eastern Investment Trust

China & Eastern Investment Trust reported pre-tax revenue for six months to January 31 1990 down at $319,572 ($449,685).

There was a tax credit of $4,527 ($1,937 debit) and undiluted earnings per share were $0.0188 ($0.0262).

The net loss on disposal of investments totalled $697,543 ($1.04m) and net assets were $25.45m ($29.27m) or undiluted per share $1.47 ($1.69).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
AB Electronic ....int	4	May 30	4	-	17.5
Ash & Lacy ....fin	3.0	-	3.5*	6.4	6*
Boustead ....fin	1†	-	0.6	1.5	1.1
Butler Cox ....fin	3.5	-	-	5.25	-
Cluff Resources§§ ....fin	1	-	-	1	-
Friendly Hotels ....fin	2†	-	1.6	3.35	2.7
H'sons/Crosfield ....fin	5.1	-	4.7	8.5	7.7
Herring Son Daw ....fin	3.25	-	2.5	5.75†	4
Lec Refriger'n ....fin	10.5	May 19	10.5	14.5	14.5
Norish ¶ ....fin	7	May 24	7.8	11.47	11
Ocean Group ....fin	9.19	June 1	8	13.43	11.68
Serif Cowells § ....fin	2†	-	4.5	3.5	6
Sherwood Group § ....fin	6.2	May 23	3.9	7.5	5.5
Sun Alliance ....fin	8	-	12.5	8.5	10.25
Swallowfield § ....fin	3.4†	-	3	5.6	5
Tilbury ....fin	22	June 27	13.9	32	16.5
Wilson Connolly ....fin	2.3	July 2	2	3.45	3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

UK COMPANY NEWS

Ocean expands by 22% to £47m

By John Thornhill

OCEAN GROUP, the diversified industrial services group, yesterday reported a 22 per cent increase in pre-tax profits for 1989 as it continued to reshape its business activities.

Taxable profits increased from £38.5m to £47.1m on turnover ahead 5 per cent at £1.06bn (£1.01bn). Ocean attributed one third of the growth to organic expansion and the rest to contributions from recent acquisitions.

During the year, the group, formerly as Ocean Transport & Trading, completed the disposal of its liner shipping and fuel distribution businesses and is now concentrating on three main areas: freight and distribution; environmental services and marine support services.

Explaining the rationale behind the reshaping, Mr Nicholas Barber, chief executive, said: "Although our businesses are obviously in different market sectors they all cover industrial services and are quite homogeneous in the way we develop relationships with customers."

The company's freight and distribution businesses showed a strong increase, from £19.5m to £25.1m, in trading profits as they benefifed from several acquisitions made in 1988 and favourable foreign exchange rates.

Ocean's interests in offshore support services were boosted after the acquisition of a major contributor, OSA Marine Services, and operating profits grew by 30 per cent to £15.8m (£12.7m).

Meanwhile, its interests in environmental services were expanded by the purchase of six more environmental testing laboratories creating a network of 16 such laboratories in the US. The division's trading profits grew from £4.8m to £7m.

Ocean benefited from substantially reduced interest charges of £1.8m (£6.8m) as a result of large cash receipts following the disposal of its interests in liner shipping.

Earnings per share grew from 22.6p to 28.1p. A final dividend of 9.19p is recommended to make a total of 13.43p (11.68p).

● COMMENT

Ocean last year spent £66m on acquisitions and investments continuing an extensive run of expenditure in reshaping the business. Gone are the days of ruffled trading results from the company's shipping interests, it claims, and in their place a new stable grouping of businesses has now emerged. The departure of Sir Ron Brierley from the shareholder register has removed the revolver from the management's heads and some analysts were struck yesterday by a sense of renewed confidence at Ocean. And the prospects for the future look encouraging. The company has built up strong market positions in three core areas and will benefit from its good defensive strengths as two thirds of its business currently comes from overseas. Pre-tax profits this year may rise to *£55m putting the company on a* prospective rating of 10. That seems a shade meagre given the outlook for growth although some anxiety about the integration of recent acquisitions is understandable. Ocean is no longer the business it once was and that should be a cause of relief to shareholders.

Hanover Druce forecasts £2.25m loss

By Clare Pearson

HANOVER DRUCE, the estate agency and property management group, yesterday announced a sharp fall into the red for the year to end-February and said it expected to cut its final dividend.

The company forecast a pre-tax loss for the year of £2.25m, against a profit of £2.14m last time. At the half-way stage, it had fallen into the red to the tune of £34,000.

Hanover Druce's warning comes hard on the heels of an announcement last week from Hambro Countrywide, another estate agent, that it was passing its final dividend.

Prudential Property Services last week said it had made a £48.9m loss against a £17.2m profit in 1988.

Hanover said the prolonged depression in residential property had resulted in material trading losses for its 45 estate agency branches. It had also incurred increased financing costs.

But it said that, one month into its current year, it was experiencing higher levels of activity than in the corresponding period of 1989. If this continued, it would lead to a much improved performance.

In contrast to residential agencies, commercial business and property activities made a good contribution last year. Hotels and leisure agencies traded satisfactorily.

Thin trading in the company's shares yesterday left the price 5p higher at 93p.

At the half-way stage it paid a maintained dividend of 1.5p.

Boustead improves to £5.1m

BOUSTEAD, the international trading and industrial holding group, reported a strong year with profits and earnings up more than 30 per cent.

The taxable result for 1989 rose from £3.88m to £5.14m on sales of £87.92m (£64.3m). Earnings per share advanced from 3.71p to 4.8p.

The company highlighted the turnround achieved under the new management at King Trailers, which achieved an outstanding profit. Air Cleaner Technical Services also performed well, aided by PB Stewart Mouldings, which supplies many of the former's plastic components.

Metal Supplies, a distributor of copper tubing, had been affected by the downturn in the building market and was sold this year for £2.9m to a subsidiary of Trelleborg, the Swedish group. Mr Michael Noakes, chief executive, said the first quarter had not been strong for some UK companies.

In south-east Asia, quality of earnings had been enhanced by greater management control of products and services. Acquisitions made during 1989 and since had reduced the dependence on consumer agencies. Bousteadco entered the areas of printed circuit board design, the distribution of industrial imaging products and the supply of marine and aviation safety equipment.

On a geographical basis, the UK contributed £2.32m (£1.77m) of profits on sales of £41.54m (£36.69m) and south east Asia put in £1.59m (£1.27m) on sales of £20.81m (£15.4m). Profits from continental Europe rose to £428,000 (£173,000) and other Far East areas pushed up their share to £802,000 (£662,000).

The recommended final dividend of 1p makes a total of 1.5p (1.1p) for the year.

IEP lifts stake in USH to 20%

By Andrew Bolger

IEP Securities, the UK investment vehicle of Sir Ron Brierley, the New Zealand businessman, yesterday said it had lifted to 20.85 per cent its stake in United Scientific Holdings, the defence contractor which narrowly escaped being taken over last year. USH shares closed unchanged at 74p.

In November Meggitt, the specialist engineering group, lapsed its £104m bid for USH, even though it had won acceptances representing 83 per cent of the equity.

It cited adverse financial information revealed by USH after the bid was launched.

IEP has not ruled out a takeover bid for USH, merely saying it believes Meggitt's bid, which valued each USH share at 144p, undervalued the businesses.

Paribas French to double size via rights

By Nikki Tait

PARIBAS FRENCH Investment Trust, a specialist trust investing in the French stock market, yesterday announced plans to double its size via a £18.1m rights issue of ordinary shares and warrants.

Rights issues by investment trusts have always been a very *rare occurance. This is because* the price of most trusts' shares stand at a significant discount to underlying net assets.

Over the past year, a handful of specialist trusts have managed to make rights issues but their share prices have generally stood at a premium to net assets ahead of the issue.

In this case, PFIT shares were standing a small discount to underlying assets ahead of yesterday's rights announcement. The company calculates that net asset value was 110.3p per share at March 30, and ahead of yesterday's news the shares were trading at about 104p, although they subsequently rose to 109p.

However, the right issue takes the form of an offer of new "units" – each comprising five new ordinary shares, one series A warrant and one series B warrant. The right issue basis is one unit at 550p for every five shares held. PFIT's advisers have not published an estimated value for the warrants, but claim that once the valuation of these is included the issue is effectively being made at a discount to net asset value.

The series A warrants confer the right to subscribe for one ordinary share at 110p on certain dates in 1992-1995; the series B to subscribe for one ordinary share at 150p between 1996 and 1998. The life of the trust, formed in 1987, was originally expected to last for 10 years, but it is now to be extended for a further two years, largely to accommodate the warrants.

The managers said the French market presents attractive investment opportunities over the next decade. Almost 65 per cent of the new units have been underwritten and irrevocable undertakings to take up the rest have been received.

Safer markets see Herring up 65% to £3.4m

Herring Son and Daw, the commercial estate agent and property adviser, announced pre-tax profits for 1989 ahead 65 per cent from £2.06m to [illegible].

Mr Nicholas Owen, chairman, said the company had enjoyed a successful year and continued to trade well benefiting from its positioning in more professional and recession proof markets. Directors saw the present uncertainties in some areas of the market as clear opportunities for selective acquisition.

The value of the order book, he said, had increased by 25 per cent, excluding instructions received for rating revaluation. Preparation for revaluation was on target with significantly increased income expected to flow early in 1991.

Turnover rose from £7.55m to £12.26m.

The total dividend is increased from 4p to 5.75p with a proposed 3.25p final; earnings per share increased from 13.69p to 19.93p.

NOTICE OF REDEMPTION
of

Rorer Group Inc.

6% Convertible Senior Subordinated Debentures Due 2001
Redemption Date: April 23, 1990
Conversion Right Expires Close of Business: April 23, 1990

NOTICE IS HEREBY GIVEN that Rorer Group Inc. a Pennsylvania corporation ("Rorer") will redeem, on April 23, 1990 (the "Redemption Date") all of its outstanding 6% Convertible Senior Subordinated Debentures Due 2001 (the "Debentures"). In accordance with the terms of the Indenture dated as of October 1, 1986 between Rorer and The Royal Bank and Trust Company succeeded by First Interstate Trust Company of New York as Trustee, at the redemption price of 103% of their principal amount plus accrued interest from October 1, 1989 to the Redemption Date. Payment of the redemption price and accrued interest, which will aggregate $5,319.17 for each $5,000 principal amount of Debentures, will be made upon presentation and surrender of the Debentures (together with all attached unmatured interest coupons in the case of Debentures which are Bearer Securities).

Debentures which are Registered Securities may be surrendered for redemption at the offices of any of the paying agents and conversion agents ("Agents") listed below. Debentures which are Bearer Securities may be surrendered for redemption (together with all unmatured interest coupons appertaining thereto) only at the offices of the Agents numbered 2 through 6 below; Bearer Securities may not be surrendered for redemption at the office of the New York, New York Agent listed below.

The Debentures will no longer be outstanding after the Redemption Date and all rights with respect thereto, including accrual of interest, will cease on the Redemption Date, except only the right of the holders thereof to receive the redemption price and interest accrued to the Redemption Date.

Debenture holders have, as alternatives to redemption, the right to sell their Debentures through usual brokerage facilities or, on or before the close of business on the Redemption Date, to convert such Debentures into Common Stock of Rorer.

The Debentures may be converted into Rorer Common Stock at the current conversion price of $34.17 per share. At this conversion price, each $5,000 principal amount of Debentures is convertible into 146.33 shares of Rorer Common Stock. A holder who surrenders Debentures for conversion will receive a certificate for the full number of whole shares to which such holder is entitled. No fractional share will be issued upon conversion of any Debentures, but in lieu thereof Rorer will pay in United States dollars an amount equal to the market value of such fractional share computed on the basis of the closing price of Rorer Common Stock on the New York Stock Exchange on the business day prior to the date of conversion. If more than one Debenture shall be delivered for conversion at one time by the same holder, the number of full shares which shall be deliverable upon conversion shall be computed on the basis of the aggregate principal amount of Debentures so surrendered. The conversion will be deemed to have been effected immediately prior to the close of business on the date on which the Agent receives the Debentures surrendered for conversion, together with a completed conversion notice. The conversion notice printed on the reverse side of the Debentures may be used for this purpose. Upon conversion of Debentures, no payment or adjustment will be made for interest accrued thereon or for any dividends on the Common Stock delivered upon such conversion.

Debentures which are delivered for conversion must be accompanied by all interest coupons maturing after the date of surrender and may be surrendered at the offices of any of the Agents listed below.

From January 1, 1990 through March 16, 1990, the prices at which Rorer Common Stock sold on the New York Stock Exchange ranged from a high of $67⅞ per share to a low of $46⅞ per share. The last reported sale price of Rorer Common Stock on such Exchange on March 16, 1990 was $65⅝ per share. At such last sale price per share, the holder of $5,000 principal amount of Debentures would receive upon conversion, shares of Rorer Common Stock and cash for the fractional interest having an aggregate value of $9,621.20. However, such value is subject to change depending on changes in the market price of Rorer Common Stock. Debenture holders are encouraged to get a current market quote. As long as the market price of Rorer Common Stock is $36⅜ or more per share, Debenture holders upon conversion will receive Common Stock and cash in lieu of any fractional share having a higher market value than the cash which they would receive upon redemption.

Delivery of Debentures to the Agents set forth below after the close of business on the Redemption Date, regardless of instructions in any notice, will result in the redemption of such Debentures at the redemption price of 103% of their principal amount together with accrued interest to the Redemption Date.

Paying Agents and Conversion Agents

1. First Interstate Trust Company of New York, One Exchange Plaza, 55 Broadway, New York, NY 10006
2. Royal Bank of Canada Europe Limited, 71 Queen Victoria Street, London EC4V 4DE
3. Royal Saint George Bank S.A., 2 Rue Scribe, 75440 Paris, France
4. NMB Bank (Belgium) S.A./N.V., Rue de Ligne, 1, B-1000 Brussels, Belgium
5. Royal Bank of Canada (Suisse), Rue Diday 6, 1204 Geneva, Switzerland
6. Banque Internationale a Luxembourg, 2 Boulevard Royal, L-2953 Luxembourg

IMPORTANT FACTS

AS DESCRIBED ABOVE, BASED UPON CURRENT MARKET PRICES THE MARKET VALUE OF RORER COMMON STOCK INTO WHICH THE DEBENTURES ARE CONVERTIBLE PLUS CASH RECEIVED IN LIEU OF FRACTIONAL SHARES IS SIGNIFICANTLY MORE THAN THE AMOUNT OF CASH WHICH WOULD BE RECEIVED UPON SURRENDERING THE DEBENTURES FOR REDEMPTION. ALL RIGHTS TO CONVERT THE DEBENTURES INTO RORER COMMON STOCK EXPIRE AT THE CLOSE OF BUSINESS ON APRIL 23, 1990.

OTHER MATTERS

Rorer and Rhone-Poulenc S.A. ("Rhone-Poulenc") recently announced the signing of an Acquisition Agreement dated March 12, 1990 (the "Agreement") under which Rhone-Poulenc will combine its worldwide human pharmaceutical business with Rorer. Upon completion of this transaction, Rhone-Poulenc will own 68% of Rorer.

Pursuant to the Agreement, Rhone-Poulenc has commenced a cash tender offer for 21,629,081 shares of Rorer Common Stock at the price of $78.00 per share as a step in acquiring a controlling interest in Rorer. The Agreement provides, among other things, that after the purchase of shares of Rorer Common Stock pursuant to the tender offer and upon the terms and subject to the conditions contained in the Agreement, Rorer shall (i) issue to Rhone-Poulenc additional Rorer shares (the "Second Step Shares") and assume $264 million aggregate principal amount of Rhone-Poulenc's debt in exchange for the sale to Rorer of such number of Contingent Value Rights to be issued by Rhone-Poulenc (the "CVRs") pursuant to a Contingent Value Rights Agreement (the "CVR Agreement") as shall equal the number of issued and outstanding Rorer shares held by each holder of record of Rorer shares, other than Rhone-Poulenc, Rorer or any of their respective subsidiaries (a "Holder of Record"), as of the record date for the distribution of the CVRs in accordance with the terms of the CVR Agreement (which date shall be determined by the mutual agreement of Rhone-Poulenc and Rorer); (ii) issue to Rhone-Poulenc additional Rorer shares (the "Third Step Shares") and assume $1 million aggregate principal amount of Rhone-Poulenc's debt in exchange for Rhone-Poulenc's worldwide human pharmaceutical business (except for the business described below in (iii)), excluding certain Rhone-Poulenc health sector businesses, such as serums and vaccines, veterinary medicines, animal nutrition and Rhone-Poulenc's interest in Roussel Uclaf S.A.; and (iii) pay $30 million in cash to a U.S. subsidiary of Rhone-Poulenc in exchange for the human pharmaceutical business assets of such subsidiary. Rorer shall also assume certain liabilities in connection with the transactions described in (ii) and (iii) above. The number of Second Step Shares and Third Step Shares shall total 24,149,213, or such greater number of Rorer shares so that when such Rorer shares are added to the Rorer shares purchased by Rhone-Poulenc in the tender offer and pursuant to the Agreement, Rhone-Poulenc will own 68% of the shares of Rorer Common Stock on a fully diluted basis. As soon as practicable after the consummation of these transactions, Rorer shall distribute one CVR as a dividend for each Rorer share held by a Holder of Record. No CVRs will be distributed with respect to the Rorer shares purchased pursuant to the tender offer.

Rhone-Poulenc and Rorer presently expect that the transactions will be completed by the end of June. The transactions between Rhone-Poulenc and Rorer are subject to a number of conditions, including the approval of Rorer's shareholders. For more information, upon request, Rorer will furnish to any holder of Debentures copies of the Schedule 14D-1 Tender Offer Statement and the Schedule 14D-9 Solicitation/Recommendation Statement which have been filed by Rhone-Poulenc and Rorer, respectively, with the United States Securities and Exchange Commission. Requests should be directed to Dewe Rodgerson Inc., 850 Third Avenue, New York, N.Y. 10022.

Dated: March 23, 1990 — Rorer Group Inc.

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Tax Compliance Act of 1983 unless the paying agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. If you surrender your Debentures for payment in the United States, please furnish a properly completed Form W-9 or exemption certificate or equivalent.

UK COMPANY NEWS

Higher costs and soft markets hit AB Electronic

By Jane Fuller

HIGHER COSTS and soft markets in areas such as defence and consumer goods hit margins at AB Electronic Products in the six months to December 31.

The south Wales-based company saw pre-tax profits fall by 24 per cent from £7.04m to £5.35m in spite of a 27 per cent rise in turnover from £97.13m to £122.95m.

While operating profit was only slightly down, interest charges took £1.62m, compared with £36,000 last time.

The group also announced that it was closing its Northampton factory, which makes connectors for the defence industry, with the loss of 220 jobs. Mr Ted Merrette, managing director, said about 30 workers would be offered the chance to transfer to Abercynon.

Mr Peter Phillips, chairman, said operating margins had fallen from 7.3 per cent to 5.7 per cent. Problems had been encountered in assembly, resale and distribution, and components — especially in microelectronics.

Assembly accounted for nearly a third of group sales. Margins had been eroded by increasing competition and by a shortage of materials, which had led to short batches being produced on high-volume machines.

Resale and distribution, the first to be hit by the interest-rate-induced squeeze, had suffered a loss. The combining of two operations and signs of recovery in the market was expected to restore profitability in the second half, said Mr Phillips.

Two decisions made by British Telecom had also adversely affected the company.

One was a three-month moratorium on the purchasing of some supplies. The other was the decision not to proceed with a project to provide a mass videotex service, involving terminals attached to the telephone network, similar to Minitel in France. AB had bought Tandata with this project in mind and was now selling the engineering centre to management.

Better news came from the automotive side, which accounted for 17 per cent of sales. Mr Phillips said demand was strong because of the increasing electronic content in cars. The group was considering expanding this activity through joint ventures.

The telecoms product group was benefiting from the growing market in cable and satellite television.

Gearing rose to 47 per cent, compared with 13 per cent at the end of June. This was fuelled by having to hold stock because of delayed contracts, working capital increases and £7m of capital spending.

Fully diluted earnings per share, after a higher tax charge, fell from 16.1p to 11.7p.

The interim dividend is was held at 4p.

Telecomputing sending out revised accounts to shareholders

By Clare Pearson

A CONTINUING legal battle between Telecomputing, which has reported a £777,000 pre-tax loss for last year, and its former chairman Mr Bernard Panton has compelled the USM-quoted computer services company to send out a revised version of its report and accounts originally posted to shareholders last week.

In a note to the accounts, the new version explains that at a court hearing last week costs were awarded against Telecomputing in respect of injunctive proceedings taken against Mr Panton, and an enquiry into his damages ordered. The note says the company does not consider the total cost of the action will exceed £55,000.

The company said yesterday due to an administrative error the original version of the accounts was sent out before Touche Ross, the company's auditor had formally signed its report.

New management was installed at Telecomputing after fellow computer group Ferrari Holdings, backed by merchant bank Singer & Friedlander, bought a 29.8 per cent stake from Mr Panton last autumn.

The court decision came late last Thursday afternoon, at about the time the accounts were due to be posted. "In the confusion nobody rang the printers to tell them not to put them in the post," Mr Michael Whitaker, a director, said yesterday.

In its report, Touche Ross says "the financial statements have been prepared on an ongoing basis that assumes the successful outcome of the rights issue to raise about £500,000 net of expenses." A placing to raise this amount, with clawback provisions for existing shareholders, was announced last week.

Touche Ross plans to retire as Telecomputing's auditors at the annual general meeting on April 30.

The new management changed Telecomputing's method of accounting for research and development and this was reflected in the loss for the year to end-September.

The accounts show Telecomputing had negative capital and reserves of £77,000 at the balance sheet date, and a bank overdraft of £142,000.

It notes that in February 1990 a debenture over the company's assets was granted to the company's bankers by way of security for the continuing overdraft.

Mr Panton retains a 7.8 per cent stake in Telecomputing. The company says it has been advised that the portion of his claim for damages that relates to loss of value in his shareholding, and defamation, is unfounded.

In mid-January Telecomputing obtained an injunction against Mr Panton following an action for defamation. This was discharged last month.

Globe linked with European fund

By Nikki Tait

GLOBE INVESTMENT Trust, Britain's largest investment trust, is linking with Compagnie Financiere de Suez of France, which owns Banque Indosuez, and Mercapital, the Spanish investment bank, to launch a European development capital fund.

The aim is to raise about Ecu200m-300m — £150m to £220m — which will then be invested in unlisted situations in five geographical areas. Globe will manage the UK portion while Mercapital takes on the Spanish portion. Suez will contribute investment management via existing operations in France and West Germany and a new team has been recruited for Italy.

Yesterday, Globe said that about 50 per cent of the fund's assets will be invested fairly equally between the five geographical regions. The remainder will be allocated according to opportunities which present themselves.

The marketing of the fund will take place over the summer, and the first closing will be at end-1990. The fund partners said that the first closing might take place at a level below Ecu200m.

However, Globe added that there would probably be some contribution from the three organisations into the new fund. The trust suggested that — depending on the level of interest from external parties — its own contribution might be about Ecu25m, and that Suez and Mercapital might put up similar amounts.

Cluff to pay first dividend

By Kenneth Gooding, Mining Correspondent

CLUFF RESOURCES, which has been transformed from a minor, loss-making oil company into a profitable, medium-sized gold producer, yesterday revealed a 68 per cent rise in taxable profit for 1989, announced its first-ever dividend payment and said it is to move from the USM to a full Stock Exchange listing.

Pre-tax profits rose from £1.2m to £2m, an outcome well below most analysts' expectations. However, the share price held steady at 92p after yesterday's announcement because, by joining the dividend payers and by switching to a full listing, Cluff will be able to attract as shareholders a much wider group of institutional investors.

At present Hutchison Whampoa holds 21.3 per cent of Cluff; Investors in Industry 8.4 per cent; Prudential Assurance 7.5 per cent and Provident Mutual Assurance 5 per cent. Mr J G "Algy" Cluff, chairman, owns nearly 7 per cent.

Mr Cluff said the company, one of 11 founder members, had "outgrown" the USM.

He described the proposed 1p per share dividend, which will absorb £465,000 of the £914,000 net profit, as "modest and prudent." It will be the first paid since Cluff was set up as an oil exploration company 16 years ago.

During 1989, Cluff produced 70,160 troy ounces of gold, nearly all of it in Zimbabwe, up from 23,153 ounces in the previous year. The cash cost of production was $240 per ounce and Cluff sold its gold at an average price of £231, equivalent to $378 an ounce.

Mr Cluff said the company might produce about 90,000 ounces in 1990 but this depended on the go-ahead being given for an expansion of production at the Freda-Rebecca mining complex in Zimbabwe.

Cluff was concentrating its exploration and development efforts in that country and Ghana where it hoped to know by the end of 1990 whether its Bokitsi project might make a mine.

Mr Mark Ashley, finance director, pointed out that the cost to Cluff of discovering its 1.4m proven and possible reserves of gold so far was only $5.50 an ounce compared with an industry average of about $30. If only proven reserves were counted, the cost was still only $11. "That is one reason our strategy is to go for organic growth," he added.

Cluff's turnover last year grew from £8.09m to £16.75m. There was an operating profit of £3m (£1m). Interest payments rose sharply, from £381,000 to £1.4m. Although it is not yet paying tax in Zimbabwe, Cluff tucked away for the future £1m in deferred tax provisions and this boosted its tax bill for 1989 to £1.09m (£609,000).

Lec profits plunge to £886,000

In a year "blighted" by public concern over the effect of CFC gases and high interest rates, taxable profits at Lec Refrigeration dropped from £4.5m to £886,000 in 1989.

Turnover declined from £55.11m to £49.5m.

Directors said that the workforce had been reduced in the early part of the year due to high stocks.

When demand picked up in late summer it had been difficult to engage personnel.

However, a recruitment campaign had restored the workforce to a realistic level.

Manufacturing is to cease at the Calais factory and production will be transferred to headquarters at Bognor Regis.

The final dividend is unchanged at 10.5p, maintaining the total at 14.5p.

Earnings were cut to 9.47p (47.27p).

The shares ended the day unchanged at 815p.

Swallowfield at £2m in mixed trading

By Clare Pearson

SWALLOWFIELD, the USM-quoted aerosols and toiletries concern, pushed pre-tax profits ahead 11 per cent from £1.92m to £2.14m in mixed trading conditions last year.

But earnings on the enlarged number of shares issued to finance the purchase last autumn of Atlas Group, a cosmetics company, fell to 14.4p (14.6p). The final dividend is lifted to 3.4p (3p), making 5.6p for the year.

Turnover for 1989 amounted to £16.17m (£14.37m) and gross profit was £4.13m (£3.33m). But after increased distribution costs of £676,000 (£534,000) as well as administrative expenses of £1.14m (£732,000), operating profit fell to £2.23m (£2.07m).

Swallowfield said it had received fewer orders from brand-owners as their sales fell. But the own-label sector, for which Swallowfield supplies a wider service, was above 1988 levels and this had improved margins.

Including a £1m loan guarantee, Swallowfield paid £2.5m for Atlas last November. Mr Tony Waddell, managing director, said it reduced group pre-tax profits by about £60,000, but was expected to make a positive contribution this year.

Larger than expected write-offs at Atlas, higher capital expenditure elsewhere in the group, and additional borrowings pushed gearing to 92 per cent by the year-end.

Mr Waddell said this was not a source of concern as interest cover remained comfortable. However, the company hoped to reduce gearing to between 60 and 70 per cent by the end of this year.

Both the toiletries and cosmetics sides of the business had a slower start this year, with destocking among retail chains becoming more severe. But he was confident that 1990 would be another year of "steady progress."

Erskine House $25m fund raising

By Andrew Hill

Erskine House Group, the distributor of facsimile and photocopier machines, has again turned to the Prudential Insurance Company of the US for long-term finance, this time raising $25m (£15.3m).

The latest deal is similar to a $35m fund-raising exercise through Prudential last year, and Erskine has again earmarked the proceeds for the reduction of short-term borrowings and future expansion.

The acquisitive UK group is issuing further warrants, which give Prudential the right to subscribe for 1.61m Erskine shares at 240p each, compared with a market price of 169p.

Altogether Prudential now owns warrants which could convert into 7.25 per cent of Erskine's fully-diluted equity.

UK COMPANY NEWS

Downturn not so trivial as Serif Cowells dips to £3.7m

By Andrew Hill

SERIF COWELLS, the leisure, publishing and printing group, has had to pay some of its 1989 dividends out of reserves, after closure costs at its loss-making book and colour printing division hit attributable profits.

Pre-tax profits last year tumbled from £6.32m to £3.68m and earnings per share dropped to 9.4p (16.9p).

A final dividend of 2p is recommended, making 3.5p (6p) for the year. Turnover fell from £67.48m to £63.59m.

Serif Cowells also revealed yesterday that it would not renew its contract to market the cult board-game Trivial Pursuit in Europe, when it expires at the end of June.

Instead, the company will revert to its original role as a dedicated manufacturer of the board-game, sales of which are levelling out, and concentrate on the UK marketing, distribution and sale of Nintendo, a video game.

Serif Cowells warned of a cut in 1989 profits last April. It also revealed then that it had restated its 1987 figures following a re-examination of the accounts of Cowells, the USM-traded specialist printer which merged with San Serif, the original UK manufacturer of Trivial Pursuit, in 1988.

San Serif reversed into Cowells believing WS Cowell, the book and colour business, would be able to print Trivial Pursuit cards. When that proved impossible the new management decided to close the subsidiary.

However, it still incurred losses of £590,000 last year, and Serif Cowells had to pay former directors some £684,000 in compensation.

Total redundancy costs of £721,000 were slightly offset by £500,000 paid to Serif Cowells by Arthur Young, its former auditors, in settlement of a dispute over the auditing of Cowells' accounts.

A further £1.68m in closure costs appeared as an extraordinary loss in 1989, cutting attributable profits.

Mr Alan Brooker, who took over as Serif Cowells' chairman in January, said yesterday that the 1989 results had been in line with the group's lower expectations.

He said 1990 would be a year of consolidation following several acquisitions in the printing and publishing divisions.

The group intends to reduce its gearing of 92 per cent to below 50 per cent through property disposals which could realise about £6m.

Good second half helps Ash & Lacy to £4.92m

By Richard Tomkins, Midlands Correspondent

AN IMPROVED second half made up for depressed profits at the interim stage and enabled Ash & Lacy, the West Midlands-based galvanising and metal products group, to record a small pre-tax advance from £4.86m to £4.92m for the year to December 29 1989.

Mr David Fletcher, chairman, said a rapid increase in zinc prices had squeezed margins on the galvanising operations in the first half, but these had recovered later in the year.

Non-ferrous stockholding had had a good year, but demand for Ash & Lacy's perforated products such as loudspeaker grills had been affected by the downturn in consumer spending.

The group entered 1990 without two problem areas that affected last year's first half – the Huurral joint venture, now sold to the Finnish partner, and the building products business, now sold to Conder.

Mr Fletcher said prospects were dependent on the outlook for the UK economy, but the group was in good shape following last year's disposals and its strong balance sheet left it well placed to make acquisitions.

Turnover was up from £54.71m to £61.5m. Earnings per share were static at 13.29p, but the proposed final dividend is raised to 3.9p, making 6.4p (6p adjusted) for the year.

NEWS DIGEST

Pickwick calls for £9.07m

PICKWICK GROUP, the audio and visual entertainment company, is to raise £9.07m, net of expenses, via a rights issue of 4.68m new ordinary shares at 200p each on the basis of one new share for every five held.

Some £1.48m of the proceeds will be used to satisfy part of the consideration for the acquisition of New Trade International, a Paris-based medical product distributor. The balance of £7.95m will be used to fund future growth.

Initial consideration for New Trade amounts to FFr15.3m (£1.64m) payable on completion, to be satisfied as to FFr13.77m cash and FFr1.53m by the issue of new Pickwick ordinary.

Requotation hopes at Falcon Resources

Shareholders in Falcon Resources, the gas company, backed directors' efforts to resuscitate the company at an extraordinary general meeting.

New directors, led by Mr James Butterfield, chairman of Platon International, the electronics group, are attempting to arrange a £4.8m rights issue. It is hoped that details will be sent to shareholders within the next four to six weeks.

Falcon shares have been suspended since October 1985. However, the company, which owns gas wells in Louisiana and Colorado, hopes to gain a requotation following the rights issue.

Guinness Mahon Spain joint venture

Guinness Mahon, the London merchant bank acquired last year by Bank of Yokohama, is to set up a joint venture in Spain with Banco Zaragozano, a Spanish commercial bank with a 350 branch network.

The joint venture will market investment products and personal financial services to expatriates in Spain. It will be based in Marbella.

Mr Geoffrey Bell, chairman of Guinness Mahon, said yesterday that he believed the deal was the first of its kind between a UK merchant bank and a Spanish partner.

Friendly Hotels books in with £5m

Profits for 1989 rose 59 per cent, from £3.17m to £5.04m, at Friendly Hotels on sales ahead 24 per cent from £20.92m to £26.55m.

Mr Henry Edwards, chairman, said the company had made good progress in its two core businesses – hotels and serviced offices.

The final dividend is raised to 2p, making a total of 3.35p (2.7p) for the year. Earnings were 33 per cent up at 30p (22.6p).

Blurred exposure sees Arley lower

Arley Holdings, a manufacturer of photographic and audio-visual equipment, sustained an £181,000 decline in profits to £888,000 pre-tax for 1989.

The figures were struck after taking account of a £686,000 rise in interest charges to £1.17m and the lack of exceptional credits which contributed £117,000 last year.

Turnover totalled £20.69m (£13.78m) and earnings emerged 4.6p lower at 5.3p. A final dividend of 1.4p makes a 2.8p (3.3p) total.

Cautious outlook as Norish declines

Norish, the Irish foods storage group, staged a recovery in the second half, but 1989 still ended with the taxable result down 18 per cent from I£2.54m to I£2.14m.

The directors warned that the group was entering a period of tough competition, which was unlikely to offer much scope for profits improvement this year.

Sales rose to I£18.66m (I£15.83m), but the cost of sales took I£15.1m (I£12.18m).

The final dividend has been reduced to 7p making 11.47p (11p) for the year.

Brazil to free fuel alcohol market

By John Barham in Brasilia

MR PAULO Cesar Ximenes, a senior Brazilian civil servant, has said the Government intends to submit its pioneering but inefficient fuel alcohol policies to the discipline of market forces and that demand for fuel alcohol would probably decline dramatically as a result.

Brazil introduced the sugar-cane based alcohol programme in 1975 to reduce dependence on imported oil. It now produces 12bn to 13bn litres of alcohol a year. But last year, supplies began drying up as demand outstripped supply, forcing Brazil to begin imports of ethanol.

Mr Ximenes, who is general secretary of the Infrastructure Ministry, said the Government proposed to set a low price for alcohol delivered to regional distribution centres. Retail prices would then be allowed to fluctuate in response to demand.

Because alcohol costs considerably more to produce than petrol, consumption would be expected to decline. Under the present arrangement, relatively high petrol prices cross-subsidise artificially low alcohol prices.

Mr Ximenes added that: "If alcohol is not competitive, consumers will stop buying alcohol cars and the programme will disappear though the natural laws of the market place." He cautioned, however, that "these proposals are only studies that will only be introduced once inflation has been brought fully under control."

However, any attempt to roll back or dismantle the alcohol programme would probably encounter fierce resistance from owners of alcohol powered cars, sugar cane producers and their representatives in Congress.

Pollution cut credited to hot, dry summer

By Bridget Bloom, Agriculture Correspondent

BRITAIN'S FARMERS have last year's long hot summer to thank for reducing the numbers of farm pollution incidents for the first time for more than a decade.

The joint annual report from the newly-formed National Rivers Authority and the Ministry of Agriculture shows farm pollution incidents 30 per cent down last year on 1988, with the largest reduction in incidents caused by silage effluent. Pollution caused by pig and cow slurry fell 27 per cent.

However, launching the report yesterday, Mr David Maclean, Junior Agriculture Minister, warned against complacency. The decline was not so much the result of farmers' putting their own house in order but of "the exceptionally dry conditions which helped to ensure low moisture levels in ensiled grass" and thus much reduced effluent.

A more sustained downturn would be necessary before it was possible to say the industry had become less of a pollution risk, Mr Maclean added.

Mr Maclean noted that prosecutions were up 10 per cent last year, to 163 country-wide, with fines averaging £584 compared with £417 in 1988 – although one incident, which killed 10,000 fish, provoked a £10,000 fine.

Last year the UK Government announced 50 per cent grants for farmers building new silage and slurry installations, while new regulations to lower on-farm pollution are due "in mid-summer", according to officials.

According to a consultative document circulated earlier this year, the regulations would cover silage stores, with effluent tanks required to have a specific minimum volume and slurry stores having to accommodate at least four months' supply.

At present farmers do not need permission to put in silage and slurry facilities; controls come into force only if pollution occurs.

Tobacco growers hit back

By David Blackwell

THE TOBACCO growing industry is fighting back against what it sees as "over-hasty legislation" designed to reduce consumption in the developed world.

A total ban on advertising tobacco products is under consideration in the European Community. Yet the impact of such a move on the earnings of developing countries could be devastating, according to the International Tobacco Growers' Association. The European market is important, particularly for Malawi and Zimbabwe, which rely on tobacco for 56 per cent and 47 per cent of agricultural earnings.

The six-year-old association this week launched a 42-page booklet outlining the economic case for tobacco growing in developing countries, which now account for almost 75 per cent of the world's 6m tonne crop. Of this, 1.5m tonnes was exported in 1988, generating $1.7bn in income for 78 developing countries.

Compared with other commodities such as coffee, cocoa and cotton, tobacco prices have been both stable and relatively high. At the same time the crop takes up only 0.3 per cent of the world's arable land – and then only for three to six months a year, so that the land can by replanted with food crops after the tobacco harvest.

Mr David Walder, chief executive of the association, said this week that tobacco earnings were an essential and irreplaceable source of income for up to 100m people in developing countries. The large number reflected the fact that the industry was mainly small-scale and family based.

"Simplistic First World policies should not obscure the complex issues involved," said Mr Walder.

Other crops could not be easily substituted. Many commodities such as coffee and cocoa were already in overproduction; there were tariff barriers against some produce; and growing more perishable crops was out of the question because of transport difficulties.

The booklet highlights growers' concern over programmes against tobacco by such bodies as the World Health Organisation, and argues that developing countries need the income from tobacco to fight much greater health problems such as Aids and malaria.

Such an argument may well succeed in raising the temperature of the debate over tobacco, if not the level, as the association intends.

Tobacco in the Developing World, published by the ITGA, PO Box 125, East Grinstead, West Sussex, RH18 5FA, £12.50, or free to research organisations and universities.

Tobacco earnings are "essential and irreplaceable"

Broker sees sharp rise in world sugar price

By David Blackwell

THE WORLD price of sugar will move above 25 cents a lb over the next six months, according to Salomon Brothers, the securities house. New York sugar futures contracts are currently trading at just over 15 cents a lb.

Salomon bases its prediction on the fact that world stocks of sugar are down to 27 per cent of annual consumption. "When stock levels dip to around 25 per cent of annual consumption (ie demand is significantly outstripping supply), the price of sugar appears to surge upwards," the group says in a report entitled 'The European Sugar Industry – The Sleeping Giant Wakens.'

The report estimates 1988-89 consumption at 107.9m tonnes, with production at 106.8m tonnes. Over the last 10 years production has been growing at 2 per cent a year on average, or about 2m tonnes – equivalent to the output of 15 sugar beet refineries and twice British Sugar's annual production.

Relative to production, world trade in sugar is small at around 28m tonnes. But much of this is taken up in special deals between countries like Cuba and the Soviet Union. Salomon estimates free world trade at just over 18m tonnes.

The report looks in detail at the EC, which is the world's single biggest producing region with 14.6m tonnes, or 13.7 per cent. It concludes that in the next five years there will be little fundamental alteration to the EC's complex sugar price support regime.

Within the EC the sugar industry's already healthy industry cash flow "is being enhanced by an accelerating programme of factory rationalisation and capital expenditure aimed at improving productivity and optimising energy usage," says the report. It concludes that the consequent cost reductions will more than compensate for any decline in the EC sugar intervention price.

Learning from Yemen's hanging gardens

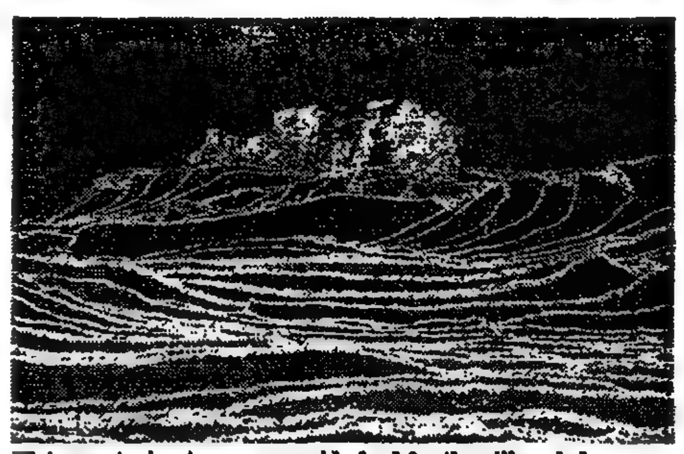
Geoff Tansey previews a television film on agricultural techniques for semi-arid land

WHILE COUNTRIES such as Sudan and Ethiopia suffer famine because of severe drought, the nearby Yemen Arab Republic survives thanks to a centuries-old farming system. But its highly developed terracing and water capture system, which uses the tiny amounts of rain once or twice a year to extraordinary effect, is threatened with collapse.

Neither the public nor private sector is delivering available and appropriate technology to a billion people in the world's semi-arid areas, according to Mr Anthony Milroy producer of a Channel 4 film on the subject to be broadcast next Sunday. He is also director of the Arid Lands Initiative (ALI). An agricultural engineer by training, he went to Yemen as head of a British technical assistance project in the 1970s. He found the Yemini farmers "were teaching me the real meaning of sustainable agriculture." But when he returned in 1987 he "was appalled to find their incredible system in the process of collapse."

Mr Milroy wants to help stop the collapse and use the lessons from the Yemen's experience to improve technology transfer to farmers in other semi-arid areas. On the 3,000m plateau that runs the length of Yemen are fertile terraces. Each field is levelled, with a bank around it and culverts built down each gully so that when it rains, water is spread out along the contours and held in the soil before passing on to the next field.

The controlled run-off flows down to the foothills and farmers in the valleys rely largely on the water and top-soil from the highlands. They bank their fields to trap and spread water for an agreed period. A "water master" ensures Islamic principles of water allocation are observed and arbitrates in disputes.



Water-capturing terraces provide food for the village below

Coupled with this are various husbandry techniques based on tillage tools like chisel ploughs, and methods to maximise moisture conservation and soil fertility – limited household livestock production, use of household and animal wastes as fertilisers and the controlled coppicing of trees.

But the mountain terraces are crumbling as they are stripped of trees and shrubs for firewood. Huge chunks of fertile farmland are being swept downhill in increasingly violent floods. In some areas 80 per cent of cultivable land has been washed away or, downstream, covered by up to 4 metres of rubble.

The irrigation systems at the bottom are becoming clogged with topsoil. Mr Milroy lays the blame on the development in Yemen over the past 20 years. Attention focused not on the highlands but on market-based, irrigated monocropping of high value crops to promote exports. The 10 per cent of Yemeni farmers in the lower, flatter areas with access to groundwater got most aid.

Subsidised imported grain, greater educational opportunities unrelated to rural life and the focus on irrigated farming disrupted the farm economy for 90 per cent of farmers. To avoid disaster, Mr Milroy believes, development efforts must be reversed. Above all, listening and learning from farmers running a system that has fed people for at least 2000 years is required.

Mr Milroy is sceptical of existing approaches. He set up the Arid Lands Initiative – a registered charity which acts as a clearing house/channel for funds, technical advice and administrative support for indigenous organisations in the developing countries – after seeing the failure of institutions, governments and charities to deal with the development problems faced by farmers in arid lands, like Yemen and sub-Saharan Africa.

In Australia and the US on a Winston Churchill Memorial Fellowship he examined how modern arid farming techniques related to traditional ones. But in sub-Saharan Africa he found little transfer of Australian techniques or even those from Yemen. In West Africa he showed farmers pictures of the type of chisel plough used in Yemen. A dry land farmer in Burkina Faso was quick to see its relevance to his needs – unlike aid officials.

The problem is delivering that kind of know-how direct to the communities that need it, so the ARI seeks "to develop ways of by-passing the clumsy, bureaucratic, "development aid" which has failed. "The ARI finds existing delivery mechanisms – indigenous organisations – able to act as selling agents. In West Africa, for example, Six-S is the largest indigenous organisation covering 3,600 villages. To market know-how and tools to them the ALI uses what has proved successful – farmer-to-farmer exchanges.

The film is one use of modern communications techniques to do this. He raised half the funds to produce it from Cable and Wireless, Yemeni Airlines, the British-Arab Chamber of Commerce and the Over-seas Development Administration. Proven technologies of use in semi-arid areas exist, he says, as well as the means to reach communities that need them. For example, with Australian rapid tree sowing techniques farmers can re-establish vegetation 50 times more cheaply than using traditional forestry industry methods. But farmers need control over development finance. If a package of finance and proven appropriate technologies can be brought together with organised end users then the private sector can help solve the problems, believes Mr Milroy.

It is a big market, with over 1bn people in arid lands. "There is a tremendous amount of south-south transfer to be done," says Mr Milroy. Yemeni villagers can learn from community organisations in West Africa and the West Africans from the Yemeni techniques and tools. "I'm not pessimistic," he says, as he recalls a teacher in Yemen calling for educational material relevant to rural pupils which the Government's environmental protection agency has undertaken to produce. In Yemen, new crops and less labour intensive tools are needed. But researchers must go out with farmers and learn from them.

The ALI has developed a simple gab iron – reinforced mesh and wire boxes – made locally to put stones in which can re-establish more permanent diversion structures and help reclaim the valleys. On the highland terraces another simple gab-iron enables terraces to be built more quickly and last 20 years instead of five. The key role for the ALI, Mr Milroy believes, is to identify technologies, and users able and ready to use them, plus a way to spread knowledge about them using modern communication methods.

"We believe the private sector has a part to play in getting that innovative approach off the ground as traditional development organisations are not willing to pay credence to it." The ALI has already acted as agent for two products – a British portable water filtration system costing less than £1,000 which provides clean water for 300-400 people; and the tree and fodder seeds sector in Australia. It is technology transfer, and marketing to a scattered, poor and long-ignored group of people.

● *The Hanging Gardens of Arabia will be shown in the Fragile Earth Series on Channel 4 at 7 pm on Sunday, April 8.*

Peruvian miners vote to end strike

By Sally Bowen in Lima

WORKERS AT Southern Peru Copper Corporation have voted to end their four-week strike after discussions in the southern province of Arequipa with union leaders about a company offer made on Tuesday. It was not known whether they had already returned to work.

The strike at US-owned SPCC, which produces around two-thirds of Peru's copper, began on March 12 with workers demanding wages comparable to those at Centromin, the state mining company.

Mineroperu, the state mineral company, declared *force majeure* from March 30 on zinc shipments and shut down the calciner furnace at its Cajamarquilla refinery on the outskirts of Lima for a month's maintenance. The reason given was terrorist attacks on high tension electricity pylons and consequent power surges which caused electrical damage.

Almost half of Cajamarquilla's zinc supplies come from Centromin, itself on strike for much of January. Centromin zinc output was down in the first two months of 1990 to 24,600 tonnes from 33,000 tonnes in the same period last year.

WORLD COMMODITIES PRICES

MARKET REPORT

ZINC prices on the LME continued Tuesday's sharp rise yesterday on concern over the developing tightness of supplies available for delivery in June. The premium for cash metal over three-month widened to $96.50 a tonne, compared with $52.50 on Monday. The fall in copper prices tended to discourage buying interest in zinc during the afternoon, traders said. Copper was hit by profit-taking and stale-bull liquidation based on expectations of an early end to the strike at Southern Peru Copper. This was confirmed after the London market closed, and prices on Comex fell through the 120 cents a lb support level just after midsession on heavy commission house and computer fund selling. The London market has now failed several times to make a conclusive breach of resistance around $2,620 a tonne, which may indicate further substantial downside movement, analysts said. Cocoa prices continued to rise in both London and New York. "There has been a change of tack after a long-running bear market. Some of the industry and trade are looking somewhat underbought," one trader said. The next level of resistance for July is seen around £850 a tonne.

Compiled from Reuter

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.50-5.60y	-0.25
Brent Blend	$18.25-8.30y	-325
W.T.I (1 pm est)	$20.02-0.03y	-0.43

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$234-236	+1
Gas Oil	$163-164	-1
Heavy Fuel Oil	$78-80	
Naphtha	$168-170	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$374.50	-0.75
Silver (per troy oz)♣	503c	+2
Platinum (per troy oz)	$476.75	-0.50
Palladium (per troy oz)	$128.00	-0.60
Aluminium (free market)	$1575	-20
Copper (US Producer)	126$\frac{3}{16}$c	
Lead (US Producer)	57.5c	
Nickel (free market)	415c	
Tin (Kuala Lumpur market)	17.30r	+0.12
Tin (New York)	316c	+3
Zinc (US Prime Western)	83¼c	
Cattle (live weight)†	114.22p	+1.30*
Sheep (dead weight)†	257.60p	-0.29*
Pigs (live weight)†	98.64p	+1.01*
London daily sugar (raw)	$363.8w	+2.8
London daily sugar (white)	$443.0w	-1.5
Tate and Lyle export price	£336.5	
Barley (English feed)	£104.5x	
Maize (US No. 3 yellow)	£133.5v	
Wheat (US Dark Northern)	£120t	
Rubber (May)♥	58.00p	-0.25
Rubber (Jun)♥	56.50p	-0.25
Rubber (KL RSS No 1 May)	227.5m	
Coconut oil (Philippines)§	$350.0z	
Palm Oil (Malaysian)§	$262.5	
Copra (Philippines)§	$240y	-5
Soyabeans (US)	£163.5	
Cotton "A" index	82.65c	
Wooltops (64s Super)	572p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Aug. t-May/Jun. v-Apr/Jun. w-Apr/May. z-Mar/Apr y-May. †Meat Commission average fatstock prices. * change from a week ago ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	337.00	338.80	338.00 333.00
Aug	342.40	342.60	343.60 340.00
Oct	336.00	335.00	336.60 332.80
Dec	328.00	333.00	320.00
Mar	308.00	307.00	307.00 307.00
May	305.60	308.00	305.00
Aug	308.20	305.60	308.00 304.60
White	**Close**	**Previous**	**High/Low**
May	444.0	445.0	448.0 441.0
Aug	438.0	438.5	442.5 436.0
Oct	410.0	409.9	410.0 407.0
Dec	397.5	398.5	394.0
Mar	392.0	392.5	392.0 392.0
May	385.0	390.5	389.0 385.0
Aug	387.0	388.5	387.0

Turnover: Raw 2275 (8155)lots of 50 tonnes. White 2579 (2449)
Paris- White (FFr per tonne): May 2533, Aug 2513, Oct 2360, Dec 2285, Mar 2265, May 2258

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
May	18.19	18.54	18.48 18.19
Jun	18.45	18.72	18.65 18.45
Jul	18.64	18.84	18.75 18.64
Aug	18.70	18.91	18.70 18.69
IPE Index	18.58	18.50	

Turnover: 13411 (10056)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Apr	163.50	164.50	164.50 163.25
May	158.75	160.25	160.50 158.50
Jun	157.75	160.00	160.00 157.50
Jul	159.50	162.00	161.00 159.00
Aug	161.50	163.50	163.00 161.50
Sep	165.25	165.00	165.25 164.75
Nov	166.00	170.50	166.00
Dec	166.00	170.25	167.00 166.00

Turnover 6271 (7658)lots of 100 tonnes

WOOL
This is the last week of auction sales before Easter, and the recess is followed by lower offerings as the selling season draws to its close in June. In Australia the emphasis is on finer merinos, where offerings are now limited but prices are still tending firmer. Otherwise the floor price is the basis, and the AWC is still buying about a third of everything put up for sale. Trade throughout most of the world industry is subdued, with cheap sources of supply taking advantage of floor price support. Prices in general move according to currency changes, which in UK terms is making wool very slightly dearer.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
May	810	786	819 792
Jul	832	814	835 808
Sep	846	829	851 820
Dec	867	850	870 845
Mar	887	871	888 863
May	903	886	906 878
Jul	918	902	920 885

Turnover: 15596 (12813) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 3 970.87 (938.24) 10 day average for Apr 4 909.37 (894.45)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
May	705	687	706 686
Jul	682	661	682 664
Sep	691	687	690 677
Nov	705	683	706 687
Jan	716	697	715 705
Mar	726	706	716

turnover: 3899 (3704) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 3: Comp. daily 73.59 (74.02). 15 day average 73.58 (73.64)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	120.0	126.0	130.0 119.0
May	175.0	178.9	184.5 173.5
Nov	99.0	99.0	
Apr	146.0	146.0	146.0 144.0

Turnover 476 (324) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Aug	124.00	123.50	124.00
Oct	127.00	127.00	127.00

Turnover 20 (45) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Apr	1426	1448	1460 1428
May	1424	1435	1455 1431
Jul	1277	1280	1300 1270
Oct	1380	1380	1388 1385
Jan	1385	1385	1395
BFI	1489	1513	

Turnover 570 (555)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
May	113.50	113.45	113.50 112.80
Jun	115.40	115.25	115.40 114.75
Nov	110.55	110.30	110.65 110.25
Jan	114.45	114.20	114.20
Mar	117.50	117.40	117.40 117.15
May	120.60	120.65	120.65 120.60
Barley	**Close**	**Previous**	**High/Low**
May	105.40	105.00	105.00
Sep	104.85	104.40	104.85 104.50
Nov	108.70	108.35	108.70 108.30
Jan	111.90	111.70	111.70
Mar	114.90	114.50	114.60
May	116.35	116.15	116.35 116.15

Turnover: Wheat 179 (220). Barley 74 (128). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	124.0	123.8	
Jun	121.5	121.6	121.5
Aug	115.5	115.5	115.0
Oct	119.0	118.5	
Nov	119.0	118.5	

Turnover 47 (45) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 19,025 tonne
Cash	1579-82	1591-3		1577-80		
3 months	1573-5	1584-5	1605/1571	1570-1	1575-6	49,601 lots
Copper, Grade A (£ per tonne)						Ring turnover 28,975 tonne
Cash	1644-6	1670-2	1693/1660	1661-6		
3 months	1590-1	1610-2	1630/1590	1625-6	1601-2	74,107 lots
Lead (£ per tonne)						Ring turnover 7,375 tonne
Cash	526-30	525-30	552/530	529-5		
3 months	501-2	495-6	520/498	515-6	500-2	10,857 lots
Nickel ($ per tonne)						Ring turnover 495 tonne
Cash	8970-9000	9000-50		9000-25		
3 months	8850-75	8850-60	8950/8830	8950-75	8830-40	7,662 lots
Tin ($ per tonne)						Ring turnover 1,090 tonne
Cash	6720-30	6898-8		6770-80		
3 months	6790-800	6795-80	6900/6800	6840-50	6780-800	6,909 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 13,275 tonne
Cash	1705-15	1680-90	1720/1717	1717-20		
3 months	1612-5	1600-5	1628/1608	1612-4	1605-10	16,881 lots

LME Closing £/$ rate: SPOT: 1.6425 3 months: 1.5788 6 months: 1.5590 9 months: 1.5876

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	374¼-374¾	227¾-228¼
Opening	374½-375	228½-229¼
Morning fix	374.25	227.785
Afternoon fix	374.25	227.767
Day's high	375-375½	
Day's low	373½-374	
Coins	**$ price**	**£ equivalent**
Mapleleaf	381-386	232-235
Britannia	381-386	232-235
US Eagle	381-386	232-235
Angel	381-386	232-235
Krugerrand	373-376	227-229
New Sov.	88-90	53¾-55
Old Sov.	88-90	53¾-55
Noble Plat	482.45-490.10	293.55-298.20
Silver fix	**p/fine oz**	**US cts equiv**
Spot	306.45	501.00
3 months	316.95	511.75
6 months	329.30	523.40
12 months	352.55	545.85

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	July	May	July
1600	66	104	9	30
1650	28	50	47	74
1700	4	20	125	142
Copper (Grade A)	**Calls**		**Puts**	
2450	227	173	14	73
2600	117	98	52	145
2750	47	50	132	243
Coffee	**May**	**Jul**	**May**	**Jul**
650	59	63	4	35
700	25	36	20	64
750	8	23	53	91
Cocoa	**May**	**Jul**	**May**	**Jul**
750	62		2	
800	24	63	14	31
850	6	38	46	56
Brent Crude	**Jun**	**Jul**	**Jun**	**Jul**
1850	36	66	35	43
1900	20		66	
1950	5	23	103	

New York

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
May	5445	5550	5550	5425
Jun	5349	5455	5455	5330
Jul	5345	5440	5430	5325
Aug	5415	5500	5490	5380
[illegible]	5515	5626	5610	5515
[illegible]	5690	5778	5725	5690
Dec	5775	5868	5835	5775
Jan	5795	5873	5840	5795

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	19.93	20.30	20.22	19.86
Jun	20.30	20.53	20.56	20.23
Jul	20.57	20.83	20.80	20.52
Aug	20.73	20.91	20.90	20.67
Sep	20.80	20.95	20.95	20.73
Nov	20.73	20.92	20.89	20.73
Dec	20.65	20.90	20.67	20.66
Jan	20.62	20.88	20.67	20.62
Feb	20.68	20.85	20.84	20.74

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Apr	377.1	375.3	377.5	373.5
May	379.1	377.4	0	0
Jun	381.5	380.1	382.1	377.8
Aug	386.5	384.8	386.9	382.9
Oct	391.5	388.7	389.0	389.0
Dec	396.2	394.4	396.7	393.0
Feb	401.6	399.2	398.0	398.0
Apr	405.6	403.8	0	0
Jun	410.7	408.8	407.5	407.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Apr	516.0	509.7	501.0	501.5
May	518.8	508.5	520.5	502.6
Jun	523.2	507.9	0	0
Jul	527.5	512.1	529.0	511.9
Sep	535.3	520.7	536.0	519.5
Dec	548.1	532.2	547.0	531.0
Jan	551.7	[illegible]	0	0
Mar	559.9	543.7	549.7	542.8
May	566.1	551.7	0	0
Jul	576.5	558.9	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	480.7	475.0	481.0	473.7
Jul	485.2	[illegible]	488.5	481.5
Oct	493.3	488.1	490.0	487.3
Jan	498.8	493.6	0	0
Apr	504.3	[illegible]	498.5	498.5
Jul	509.8	0	504.0	504.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	123.50	127.40	127.00	123.00
May	120.15	124.85	123.50	119.60
Jun	115.15	120.35	115.10	115.10
Jul	112.15	116.25	115.50	111.00
Aug	109.85	113.85	113.20	113.20
Sep	107.85	111.50	110.70	107.60
Oct	106.45	109.85	0	0
Nov	105.05	108.15	0	0
Dec	103.85	106.75	106.40	105.60
Jan	102.85	105.95	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1235	1215	1243	1221
Jul	1254	1227	1260	1240
Sep	1264	1239	1270	1252
Dec	1282	1252	1285	1268
Mar	1302	1272	1295	1288
May	1320	1291	1318	1308
Jul	1330	1300	1333	1325
Sep	1350	0	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	94.99	92.03	95.00	92.55
Jul	95.84	93.84	95.95	94.20
Sep	98.43	95.59	98.50	96.00
Dec	100.80	97.50	100.60	98.00
Mar	102.00	99.63	100.25	100.25
May	103.60	100.75	0	0
Jul	104.75	103.50	0	0
Sep	106.50	104.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	15.20	15.25	15.30	15.08
Jul	15.30	15.33	15.38	15.15
Oct	15.05	15.06	15.08	14.90
Mar	14.03	14.03	14.11	13.94
May	13.91	13.93	13.91	13.83
Jul	13.98	13.86	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	73.97	74.01	74.65	73.65
Jul	73.17	73.37	73.80	73.10
Oct	66.85	66.90	67.13	66.65
Dec	64.89	65.12	65.30	64.89
Mar	65.83	66.00	66.10	65.87
May	66.35	66.45	66.50	66.20
Jul	66.43	66.53	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	203.20	201.40	203.40	200.75
Jul	199.75	197.50	199.80	197.40
Sep	192.30	191.05	192.90	190.50
Nov	184.75	184.00	184.75	183.00
Jan	179.45	179.00	180.00	179.00
Mar	179.25	178.25	179.00	178.25
May	179.25	178.25	0	0
Jul	179.25	178.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr 4	Apr 3	mnth ago	yr ago
1923.2	1916.5	1876.2	2012.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr 3	Apr 2	mnth ago	yr ago
Spot	133.23	132.35	131.08	134.24
Futures	133.52	132.42	132.78	138.34

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	591/0	588/0	594/4	588/0
Jul	604/6	599/4	608/2	599/4
Aug	609/6	604/4	613/0	605/0
Sep	609/4	604/6	612/4	606/6
Nov	616/0	611/4	618/4	612/4
Jan	626/0	622/2	628/2	628/2
Mar	636/0	632/4	638/0	634/0
May	642/0	639/4	644/4	642/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	22.16	21.87	22.28	21.84
Jul	22.31	21.98	22.38	21.95
Aug	22.20	21.85	22.27	21.86
Sep	21.97	21.62	22.00	21.70
Oct	21.60	21.30	21.75	21.45
Dec	21.50	21.23	21.60	21.25
Jan	21.32	21.10	21.45	21.25
Mar	21.26	21.05	21.40	21.26

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	171.6	169.3	172.7	170.0
Jul	175.7	173.7	176.8	174.4
Aug	177.4	175.7	178.5	176.2
Sep	179.3	177.7	180.5	178.3
Oct	180.5	179.3	181.7	180.5
Dec	184.2	183.1	185.5	183.6
Jan	185.8	184.8	186.5	184.5
Mar	191.5	190.7	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	268/2	266/4	269/0	266/4
Jul	270/6	269/4	271/6	269/4
Sep	265/0	263/2	266/0	263/4
Dec	262/0	260/4	263/0	260/4
Mar	268/0	266/4	268/4	266/2
May	270/2	268/6	271/0	270/0
Jul	273/0	271/0	273/0	272/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	369/6	361/4	374/6	363/4
Jul	344/6	341/4	347/0	343/0
Sep	350/4	347/6	352/6	349/0
Dec	362/6	360/0	364/6	361/4
Mar	368/4	365/0	368/4	365/4
Mar	370/0	370/0	370/4	369/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	78.60	78.60	78.82	78.37
Jun	72.80	73.10	73.27	72.70
Aug	72.17	72.27	72.42	72.12
Oct	73.65	73.95	74.00	73.75
Dec	74.15	74.15	74.25	73.95
Feb	74.20	74.30	74.35	74.05
Apr	74.25	74.60	74.25	74.25

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	55.07	54.72	55.22	54.72
Jun	58.40	58.42	58.75	58.10
Jul	58.15	57.87	58.37	57.75
Aug	56.32	56.17	56.75	56.12
Oct	50.77	50.57	51.00	50.60
Dec	50.50	50.50	50.85	50.30
Feb	49.47	49.45	49.80	49.25
Apr	46.77	46.70	46.77	46.60

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	55.00	55.00	55.60	54.55
Jul	55.45	55.57	56.40	55.20
Aug	54.32	54.40	55.10	53.65
Feb	60.00	59.40	60.30	59.45
Mar	60.00	59.60	60.10	59.50
May	59.97	59.70	59.97	0

LONDON STOCK EXCHANGE

Tax-loss selling raises trading volume

A NERVOUS trading session saw London equities moving erratically yesterday and finally turning down in late dealings when hints of an impending rights issue swept the market. Once again genuine investment business was no more than moderate, although trading volumes were swollen by the final fling of tax-loss selling as the financial year draws to its close tonight.

London opened cautiously in the face of a relatively small but worrying dip in the Tokyo market, offset by a gain on Wall Street overnight and a firmer trend in sterling. Equities made some progress in early deals, helped by a sudden rise in the premium on the FT-SE June futures contract.

But worries over the prospects for Tokyo resurfaced at mid-morning, and with the futures premium cut by a half, the stock market lost much of its gain. A dull start to the new Wall Street session took what little heart there was out of London, and equities were easy prey to the sudden hints, originating from the Inter-Dealer Broker screens, that a rights issue or placing by a major conglomerate was planned. Trafalgar House and SmithKline Beecham were both named. The suggestions followed a meeting called for market staffs at a leading UK investment bank, but these tales were not taken seriously in the futures markets.

The FT-SE Index bounced at 2,229.2, holding the important 2,230 support level, and the final reading of 2,231.6 showed a net fall on the day of 9.1 points. The net fall was not of great significance by the standards of today's market, but a trader at Hoare Govett, the London-based securities house, commented that a market which had reversed its trend three times during the session was clearly very uncertain of itself. While London is more inclined to respond to Wall Street's firmness than to Tokyo's weakness, there is underlying nervousness lest Japanese investors become forced sellers of UK stocks, in which they have built substantial holdings.

Seaq trading volume of 505.4m shares compared with 553.1m on Tuesday, with both days having seen a substantial amount of tax loss business. Traders expect equity trading volume, which has remained below the £1bn daily this week despite the tax-loss business, to fall off at the end of the week as the new financial year begins.

While the overall market picture was unexciting, there was ready support from institutions for a batch of special situations.

The property sector was enlivened by hopes of takeover moves at Hammerson in the wake of a £40m property purchase in Spain. The composite insurers, still subdued by the implications of the winter storm damage, shaded better on good Sun Alliance figures.

Account Dealing Dates		
*First Dealings:		
Mar 26	Apr 9	Apr 30
Option Declarations:		
Apr 5	Apr 26	May 10
Last Dealings:		
Apr 6	Apr 27	May 11
Account Day:		
Apr 17	May 8	May 21

*New time dealings may take place from 8.00 am two business days earlier.

BAA hit by ADT issue

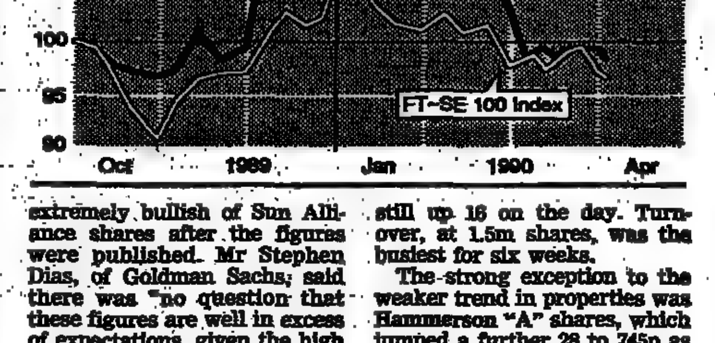
BAA fell steeply as 9 per cent shareholder ADT launched an issue of preference shares exchangeable into BAA shares.

ADT has made clear its intention to press for the relaxation of the Government's golden share in BAA, formerly British Airports Authority, which limits any single shareholding to 15 per cent. The preference issue was interpreted by some analysts as a weakening of the company's resolve to press for circumstances under which it might be in a position to launch a bid. Others, however, pointed out that ADT was retaining control over the shares because it has the right to pay cash instead of BAA shares to holders of the preference issue who wished to convert.

Ms Jennie Younger, at BZW, said: "This sterilises any view that ADT is likely to make a move in the short term." Mr Matthew Stainer, at County NatWest WoodMac, said that the fall of 19 to 386p was "the right short term share price reaction." He added that any change in the status of the golden share was unlikely in anything but the longer term.

Analysts and marketmakers were divided, however, over whether the shares had fallen far enough. Some said that 380p would be a level at which ADT might begin buying again, while others said a steady level had been reached.

ADT eased 2½ to 185½p. The issue will be priced by April 10 and should yield around 8 per cent.



Sun Alliance ahead

Preliminary results from Sun Alliance, the composite insurance group, were given the best of welcomes by the market, where Sun Alliance shares raced higher to close a net 15½ ahead at 303½p, after 307p, with turnover of 4.6m well up on normal levels of business.

The company revealed pre-tax profits of £318.6m, against £372.4m last time, and analysts' expectations in the range of £300m to £325m. The dividend total of 12.5p was the very top of the range of forecasts.

Dealers, who had been nervous about the extent of losses caused by the severe storms and floods in the UK in January and February, said the figures produced a flurry of very good quality buying interest which carried on well into the late afternoon. "With a good press they could well go further," said one.

Analysts were in the main extremely bullish of Sun Alliance shares after the figures were published. Mr Stephen Dias, of Goldman Sachs, said there was "no question that these figures are well in excess of expectations, given the high level of subsidence claims."

Mr Dias is going for pre-tax profits for the current year of £170m and a dividend total of 14.5p. He rates the stock a "strong buy" and pointed to the asset value of 371p, "well in excess of the share price and which contains nothing for the life side of the company."

At UBS Phillips & Drew, Mr Andrew Goodwin said he was sticking with his forecast of £140m pre-tax, and said he expected the group to increase the dividend by 16 per cent, "the best rise in the sector," although he added that the group "faced competition in the UK market" and there remains the possibility Sun Alliance may bid for Commercial Union."

New Reuters high

Reuters climbed to yet another all-time high as analysts in London and New York heard presentations from the company. One Wall Street firm was said to have issued a strong buy recommendation.

Mr Ian Shelley of W.I. Carr attended the London meeting and said that the company had struck an optimistic tone and announced the launch of Money 2000, an information service for foreign exchange and money markets. Money 2000 is designed to replace Reuters's Monitor, the company's biggest product. "It will help revenues significantly," said Mr. Shelley.

Reuters climbed to a high of 1169p before closing at 1159p, still up 16 on the day. Turnover, at 1.5m shares, was the busiest for six weeks.

The strong exception to the weaker trend in properties was Hammerson "A" shares, which jumped a further 28 to 745p as this week's news of a £40m building deal in Barcelona prompted speculation that Standard Life, already a stakeholder, might bid for the whole of the Hammerson equity.

Traders, however, believed that the share price was also responding to window-dressing support ahead of the year-end by a large investment fund. But turnover in the stock was moderate, barely reaching the 500,000-share level.

The day's unexpected development came in Westminster & Country Properties, which raced upwards by 55 to 180p after the announcement of significant changes in the group's situation. The Parkes family has sold 29.2 per cent of the equity to a group of named institutions.

But the absence of news on its other bid situations, both actual and potential, left the property sector to give back some of its recent gains. The prediction from the UK Chancellor that domestic interest rates would be reduced as inflation falls in mid-1991 was hollow comfort for a sector hoping for speedier succour than that.

British Land set the trend, easing several pence to 366p after some institutional shareholders privately poured scorn on suggestions that they were about to accept a new restructuring plan from the board.

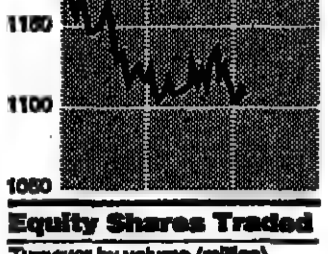
The weakest feature was Hanover Druce, the estate agency/property group, which plunged nearly 30 to around 80p at one point after warning of an impending loss which could range to the £2.25m area; the shares, which are thinly traded, rebounded later to close a touch steadier on the day at around 92p.

While not a major pointer to the fortunes of the sector - Hanover Druce is a gamma listed stock — the size of the indicated loss provided a painful reminder of the dangers which could still be lurking for investors even if share prices begin to rally.

Hickson International, the chemicals group, fell 12 to 197p after Smith New Court, the broking firm, moved in and placed some 13.8m Hickson shares, representing a 12.92 per cent stake, with existing Hickson institutional shareholders and others, at 189p.

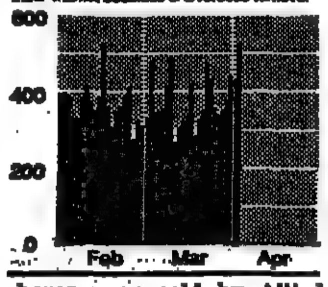
The placing was said by dealers to have gone very smoothly and to have been at least three times oversubscribed. The shares were sold by Allied Commercial Exporters.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



A raft of critical comment on Mecca Leisure from analysts and in the press, following the company's full year figures on Tuesday, weakened the shares once more. They bottomed at 69p before settling at 72p, down 5 on the day.

The slide hurt others in the leisure sector, especially Brent Walker. There was concern over the company's level of debt, the factor which has worried researchers of Mecca. Brent Walker's gearing is 100 per cent, compared with 140 per cent for Mecca, although much of it is interest rate capped. The shares were also hurt by vague talk of a downgrading by joint broker Smith New Court. Smith denied the suggestion. Brent Walker fell 31 to 307p.

Others to feel the pressure included Ladbroke, 5 off at 280p, and Rank Organisation, which weakened 13 to 753p.

A one-for-five rights issue from Pickwick left the shares 7 lower at 227p. The issue is intended to raise £9.07m, of which £1.48m would be used to pay for part of the acquisition of New Trade International, a Paris-based medical product distributor. The balance will be for "future growth both as working capital for product development and to take advantage of acquisition opportunities," said the company.

Carlton Communications and Thames TV moved in opposite directions as speculation persisted that the former might be tempted to buy the 56 per cent stake in the latter put up for sale last week by BET and Thorn EMI. Carlton lost 11 to 544p, while Thames climbed 12 to 523p.

Queens Moat Houses lost 5 to 88½p ahead of today's final figures.

The better than expected figures from Sun Alliance gave heart to the rest of the composite insurance sector which, having outperformed the market at the end of last year, has underperformed since the bad weather of January and February (see chart).

Switching out of Royal and into Sun Alliance lowered the former 4 to 470p on turnover of 1.6m, but Commercial Union edged up 2½ to 455p on 2m shares, while Guardian Royal Exchange improved 3 to 226p.

The banks were generally much quieter but Lloyds remained under pressure, closing a further 3 off at 289p on 3.8m shares, as dealers spoke of imminent profits downgrades. Midland moved up 7 to 342p on 1.1m, reflecting a bear squeeze. S.G. Warburg were prominent in the merchant banks, the shares advancing 15 to 490p after more buying from one securities house.

Smith New Court advanced 7 to 86p as the market acknowledged the broking firm's latest successful market deal, the placing of a large line of stock in Hickson International, as well as the placing on Tuesday of the Hong Kong Government's 3.4 per cent stake in Hong Kong Telecommunications.

Commented one financial sector specialist: "All credit to them, Smith have been responsible for most of the big share placings or bought deals carried out over the past year or so, including Ultramar, Scottish & Newcastle and Lonrho."

Eurotunnel continued to benefit from Tuesday's tunnelling report. Early strength in Paris, where Eurotunnel is also quoted, pushed the price to 608p before it subsided to 590p, still a rise of 12.

Midlands metalwork supplier Ash and Lacy posted final profits slightly ahead at £4.9m and the shares climbed 18 to 110p.

Costain Group fell 11 to 267p as dealers picked up hints that the group's preliminary figures expected next Wednesday may be worse than expected and that some senior management changes, in the company's housebuilding/property division, could be imminent.

Pilkington lost 3 to 203p, with specialists reporting some indigestion in the shares after a technical situation involving warrants and options.

English China Clays retreated 8 to 375p with turnover of 2m boosted by two single trades of 800,000 shares, representing an agency cross.

Racal Electronics endured another painful session, the shares retreating 5 more to 190p with the market said to have been unsettled by the sale of a large line of stock, some 1.5m, in the early afternoon. Turnover in Racal totalled 8.5m shares.

British Telecom lost 4½ more to 264p, still upset by political worries, publicity given to stories of overcharging by big international telecoms carriers and a recent profits downgrade.

■ Other market statistics, including the FT-Actuaries share index, Page 25

FINANCIAL TIMES STOCK INDICES

	Apr 4	Apr 3	Apr 2	Mar 30	Mar 29	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	77.25	76.82	76.66	76.66	76.45	86.70	84.20 (2/1)	75.21 (21/3)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	86.17	86.02	86.06	85.79	85.97	97.66	92.91 (8/1)	85.12 (23/3)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1749.7	1761.5	1749.1	1769.7	1781.2	1705.4	1963.3 (3/1)	1745.7 (6/3)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	257.4	256.5	253.4	274.7	272.3	191.0	378.5 (5/2)	253.4 (2/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2231.6	2240.7	2221.6	2247.9	2263.0	2078.2	2463.7 (3/1)	2216.0 (6/3)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.10	5.07	5.12	5.06	5.01	4.50				
Earning Yld %(full)	12.13	12.07	12.18	11.97	11.87	10.90				
P/E Ratio(Net)(*)	9.96	10.02	9.92	10.11	10.20	11.08				
SEAQ Bargains 4.45pm	35,200	35,284	31,516	28,883	28,000	35,919				
Equity Turnover(£m)†	-	1007.10	836.57	736.45	669.58	1113.93				
Equity Bargains†	-	39,241	32,430	29,457	29,147	46,094				
Shares Traded (ml)†	-	521.4	432.5	443.0	381.9	467.5				

Ordinary Share Index, Hourly changes — Day's High 1768.5 — Day's Low 1747.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1768.2	1763.7	1759.5	1760.3	1755.0	1754.4	1755.9	1756.0	1747.5

FT-SE, Hourly changes — Day's High 2247.5 — Day's Low 2229.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2246.8	2245.3	2241.0	2242.7	2238.8	2235.9	2237.0	2240.3	2229.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. ● Nil 8.81

GILT EDGED ACTIVITY

Indices*	Apr 3	Apr 2
Gilt Edged Bargains	85.5	77.6
5-Day average	87.2	83.8

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request. London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (28).
BRITISH FUNDS (6) CHEMICALS (2) STORES (1) ENGINEERING (1) FOODS (3) INDUSTRIALS (3) Dochs, Reuters, Schlumberger, MOTORS (1) PROPERTY (3) TRUSTS (2) OILS (1) PLANTATIONS (1) THIRD MARKET (1).
NEW LOWS (152).
AMERICANS (1) CANADIANS (2) BANKS (2) BREWERS (3) BUILDINGS (9) CHEMICALS (2) STORES (9) ELECTRICALS (16) ENGINEERING (9) FOODS (9) HOTELS (4) INDUSTRIALS (34) Amber Intl., Cosalt, Courtney Pope, Courtwell, EIS, Ferner, Grampian Hldgs., Granada 7½pc Pf., Grovewood, Hadleigh Inds., Halma, Hewitt, Johnson Matthey, Kalamazoo, Kingsgrange, Lincat, Macarthy, Optical & Medical, Parkfield, Reed Executive, Reliance Sec., SAC Intl., Savage, Securicor, Do. "A", Security Services, Select Appointments, Southern Business, Spectrum, Swallowfield, Tamaris 8½pc Pf., Toye, Tribble Harris, Welpac, Wyndham, LEISURE (11) MOTORS (4) NEWSPAPERS (3) PAPERS (8) PROPERTY (6) TEXTILES (4) TRANSPORT (3) TRUSTS (26) OILS (1) OVERSEAS TRADERS (1) PLANTATIONS (1) MINES (13) THIRD MARKET (6).

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS—Contd

AMERICANS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

Continued on next page

APPOINTMENTS

Promotions at British Aerospace

■ Mr Robert M. McKinlay, managing director, Airbus division, has been appointed managing director, BRITISH AEROSPACE (COMMERCIAL AIRCRAFT), from April 9, in succession to Dr Maurice Dixson who is joining GEC. Mr Charles B.G. Masefield becomes deputy managing director, retaining his post as managing director, airlines division. Mr Christopher V. Geoghegan succeeds Mr McKinlay as managing director, Airbus division.

■ Mr David Evans has succeeded Mr Mike Walsh as managing director of SCHAL INTERNATIONAL, a Tarmac Construction subsidiary. Mr Evans was director of operations.

■ Mr Michael Jones becomes chairman of COOPER GAY & CO, and James Steele (Insurance).

■ BABCOCK ENERGY has made Mr Martin C. Peters its sales and marketing director for the power engineering group. For the last 10 years he has been in charge of the company's nuclear and defence sales.

■ Mr John Hoddell has been appointed chairman of Chartered Trust, Cardiff, a wholly-owned subsidiary of STANDARD CHARTERED. He succeeds Mr John MacKenzie, a group executive director of Standard Chartered, who returns to his group duties. Mr Hoddell was deputy chairman.

■ Mr Roger Holland, founder and chairman of Miles 33 until its acquisition by U.E.I. in 1987, has been appointed an executive director of CRAY ELECTRONICS, Newbury. Dr Bernard Eastwell, founder and chairman of VG Instruments until the company was sold to Fisons, and Mr Michael Hoffman, chief executive of Thames Water, have been appointed non-executive directors of Cray. Mr Ian Richardson, a non-executive director, retires.

■ Mr Keith Clarke has become managing director of BUDGENS STORES LIMITED and a main board director of Budgens. He was previously withAsda where he was trading and marketing director, food and drink.

■ Following the acquisition of DORMOBILE by KBD Group, Mr Mike Harrington has been appointed managing director.

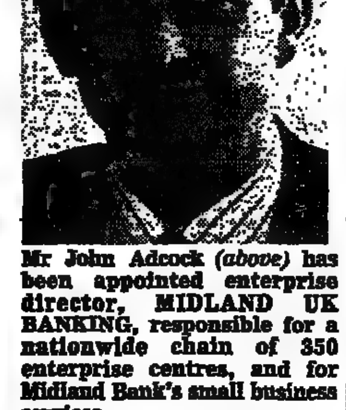
■ At N.M. ROTHSCHILD & SON Mr Nicholas Field-Johnson and Mr Martyn Konig have joined the board.

■ Mr W. Alun Cathcart, chairman and chief executive of Avis Europe, has been appointed a director of Witan Investment Co.

■ Mr Philip Court is to join SOVEREIGN MORTGAGE ASSETS as a director. He was chief executive of Birmingham Midshires Building Society.

■ Mr Robert L. Wyatt, vice chairman and chief executive of Forward Trust Group, has been appointed chairman of the FINANCE HOUSES ASSOCIATION, succeeding Mr John Hoddell.

To co-ordinate the affairs and relationships of the GEC-MARCONI companies operating in the US, Mr Peter Hearne (above) has been appointed president, US operations. He has been with the group for 30 years, and was assistant managing director, responsible for the avionics, sensors and radio communications sectors.



Mr John Adcock (above) has been appointed enterprise director, MIDLAND UK BANKING, responsible for a nationwide chain of 350 enterprise centres, and for Midland Bank's small business services.

■ Mr George Wain has been appointed a main board director of ACKROYD & ABBOTT, Sheffield. He is managing director of subsidiary Ackroyd and Abbott Homes.

■ Mr Bill Edgar, executive chairman of Cochrane Shipbuilders, is to become chief executive of the NATIONAL ENGINEERING LABORATORY at East Kilbride, Strathclyde, from June 1. Dr Donald Bell, current director of NEL, is become director of research and development at the Strathclyde Institute, Glasgow.

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	241	ANZ $A1	242	...	44c	1.4	8.2	9.6
196	172	Abbey National 10p	193		5.7	4.3	3.9	7.8
282	238	Allied Irish Ord.	258	–2	hQ68%	3.3	3.1	13.3
£13¼	£11⅞	Algemene Fl 10	£12½	+⅛	Q28%	2.0	7.1	7.0
85	73	Anglo Irish	82	..	Q18.7%	2.7	5.4	11.2
81	71	Ansbacher (H.) 1p	72		2.5	1.3	4.6	20.7
£68¼	£54½	Bancaire Cie Fr100	£66½	+2½	hQ12½%	–	2.1	–
£22¼	£16¾	Banco Bilbao Viz	£16¾		Q17.9%	2.0	4.3	11.5
£31	£24¼	Banco de Santander	£24½	.....	Q25%	2.4	4.7	8.9
286	248	Bank Ireland IrE1	258	–2	[illegible]	3.2	4.5	8.8
£19½	£18	Bank Leumi	£19½	...	–	–	–	–
350	320	Bank Leumi (U.K.)	345	..	t13.5	–	5.2	–
125	113	Bank Scotland	117	–2	t3.8	3.6	4.3	8.4
100¾	90	Do. 9¼pc Irrd Pf	92½	...	9¼%	–	13.3	–
54	52	Bank of Wales	52	....	2.8	1.6	7.3	10.0
595	535	Barclays £1	573	–2	27.4	3.5	6.3	5.7
22	16	Benchmark 20p	16	.	1.63	1.0	14.2	8.8
335	310	Brown Shipley £1	315		t10.5	–	4.4	–
455	404	Cater Allen £1	404		23.5	–	7.8	–
179	149	Chancery	169	+2	t8.0	2.8	6.3	7.4
£23¼	£19⅞	Commerzbk DM10	£21½	–⅛	Q18%	–	3.1	–
£27	£23⅞	C'hgn Hdr Kr100	£24½	–⅛	Q15%	–	5.6	–
£13⅛	865	Dai Ichi KBk Y50	865c	–25	hQ16%	8.8	0.3	33.1
£315½	£262½	Deutsche Bk DM50	£292½	–1¼	Q29%	–	1.7	–
£20¾	£19	Espirito Santo	£19¼		075c	3.3	2.3	13.4
253	211	First Nat. Fin. 10p	228	+3	13.0	2.4	7.6	7.0
121	106	FNFC 6.3pc Cv. Pf	116	+1	6.3%	–	7.2	–
£15⅛	978	Fuji Bank Y50	997	..	Q15.6%	4.2	0.3	–
325	269	Gerrard & National	281	–1	18.5	–	8.8	–
154	146	Guinness Mahon 10p	146		¢2.1	–	1.9	–
328	264	Hambros 20p	265	+1	t10.0	–	5.0	–
128	107	Do. 7.5pc Cv Pf	107	...	7½%	–	9.3	–
59	53½	Hk & Shang HK$2.50	54½	....	Q42c	–	6.0	–
478	458	Joseph (Leo) £1	458	....	15.85	–	4.6	–
145	133	King & Shaxson 20p	136		9.25	–	9.1	–
422	358	Kleinwort Benson Grp	366xd	–1	16.0	♦	5.8	♦
642	402	Kyowa Bank Y50	402c	–17	hQ14%	4.7	0.7	30.4
307½	277	Lloyds £1	269	–3	13.3	2.6	6.1	6.8
56	47	Lon. Scot. Bank 10p	48		2.4	1.8	6.7	10.1
404	326	Midland £1	342	+7	18.0	2.6	7.0	7.1
£14⅛	£10⅝	Mitsubishi Bank Y50	£10½		hQ16%	8.1	0.3	44.6
£12¼	£6½	Mitsubishi Tst & Bk Y50	£6¾c	–⅛	Q16%	8.2	0.5	25.9
£10⅝	£7⅞	Mitsui Bank Y50	£7½	+¼	hQ16%	6.0	0.4	40.7
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

هكذا صنة الأصل

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

For Scottish Asian Pfg. see FINANCE, LAND, ETC

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

Miscellaneous

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¥ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for *dividends or ranking only for restricted dividend.*
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs. ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend, xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	78	−2
Craig & Rose £1. γ	810	......
Finlay Pkg. 5p... γ	56	−3
Holt (Jos) 25p.....γ	1338	−7

IRISH

Cap. 8½% Ln. 1991	£96¼	......
9pc Cap Ln 1996..	£92½	......
Fin. 13% 97/02...	£109	......

Arnotts................	457	......
Carrol (P.J.)....... γ	167	......
Hall (R. & H.).......	137	−3
Heiton Hldgs.......γ	80	−8
IRC.......................	2156	......
United Drug........	165	−1

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons....	39
Amstrad..	5½
Astec (BSR)......	5¼
BAT........	83
BOC Grp.......	45
BTR	36
Barclays.......	49
Blue Circle.......	19
Boots.	23
Bowaters	38
Brit Aerospace	42
British Steel.....	9
Brit. Telecom..	25
Cadburys	27
Charter Cons	40
Comm Union..	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident..	90
GEC	18
Glaxo	56
Grand Met.	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd.	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank.	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect.	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	20
Sears.	9½
SmKl. Beecham A.	46
TI.	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property	
Brit Land..	32
Control Secs.	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils	
Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res.	4½
Premier	10
Shell	37
Tuskar Res.	10
Ultramar	31

Mines	
Lonrho	22
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abbey Unit Tst Mngrs (1000)H

Abtrust Management Ltd (1200)H

10 Queens Terrace, Aberdeen AB9 1QJ

[illegible]

GUIDE TO UNIT TRUST PRICING

[illegible]

FT UNIT TRUST INFORMATION SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 8545						
American Opps	5	52.75	53.00	56.52	+0.39	0.20
(Accum Units)	5	53.67	54.54	58.17	+0.53	0.20
European Opps	5	77.79	78.06	83.25	-0.08	0.00
(Accum Units)	5	78.22	78.49	83.71	-0.08	0.00
Far Eastern Opps	5	131.63	131.95xd	140.73	-1.20	0.00
(Accum Units)	5	132.47	132.79xd	141.64	-1.20	0.00
Golden Opps	5	40.10	40.10	42.76	+0.28	0.00
(Accum Units)	5	41.24	41.24	43.98	+0.29	0.00
Intl Hi-Yield	5	59.60	59.65	63.62	+0.08	4.33
(Accum Units)	5	64.97	65.02	69.35	+0.09	4.33
Sanyo Japan TR	5	60.29	60.29	64.30	-1.14	0.00
(Accum Units)	5	60.29	60.29	64.30	-1.14	0.00
Kangaroo	5	30.46	30.46	32.48	+0.15	1.29
(Accum Units)	5	30.64	30.64	32.67	+0.16	1.29
Oriental Income	5	32.93	32.93xd	35.78	-0.22	4.97
(Accum Units)	5	37.41	37.49xd	39.97	-0.24	4.97
Pacific Technology	5	60.30	60.30xd	63.70	-0.72	0.40
(Accum Units)	5	60.79	60.79xd	64.22	-0.72	0.00
Tiger	5	150.95	150.95	161.00	-0.35	0.69
(Accum Units)	5	153.31	153.31	163.52	-0.35	0.69
UK Hi-Yield	5	43.25	43.25	46.13	+0.15	4.96
(Accum Units)	5	49.46	49.46	52.74	+0.17	4.96
UK Opps	5	54.05	56.44	60.35	+0.15	0.70
(Accum Units)	5	58.79	61.41	65.67	+0.15	0.70
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034						
Balanced Portfolio	6	91.33	91.33	98.94	-0.19	4.00
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250						
4 Hourly Pricing—12 Noon Historic						
TR American Gwth	5¼	47.32	47.32xd	50.47	-0.12	0
TR Eur Sp Sits Acc	5¼	43.88	43.88	46.75	-0.17	0
TR Eur Sp Sits Inc	5¼	43.03	43.03xd	45.84	-0.11	0
TR Far East Opps Inc	5¼	23.59	23.59	24.87	—	—
TR Far East Opps Acc	5¼	23.59	23.59	24.87	—	—
TR General Growth	5¼	72.82	72.82	77.46	-0.35	2.63
TR Global Tech	5¼	74.75	74.75	79.75	-0.12	0
TR Income Growth	5¼	84.37	84.57	89.96	-0.58	4.48
TR Income Monthly	5¼	52.00	52.00	55.31	-0.26	7.30
TR Japan Growth	5¼	77.36	77.36	82.12	-1.83	0
TR Overseas Growth	5¼	65.70	65.70	70.15	-0.51	0
TR Smaller Cos	5¼	76.11	76.11	80.96	-0.39	2.39
TR Special Ops	5¼	84.92	84.92xd	90.34	-0.12	3.35
TR Mgd Eq Plan Acc	5¼	33.64	33.64	35.78	-0.25	2.72
TR Mgd Eq Plan Inc	5¼	31.55	31.55	33.56	-0.23	2.76
TR Wwde Sp Sit Acc	5¼	36.09	36.09	38.48	-0.51	0
TR Wwde Sp Sits Inc	5¼	36.05	36.05	38.44	-0.51	0
TR Pension Portfolio						
TR American Gwth ♦	6	28.59	28.76	30.50	+0.21	0
TR Eur Sp Sits ♦	6	34.89	35.32	37.44	-0.05	0
TR General Growth ♦	6	24.30	24.51	25.98	+0.16	0
TR Global Tech ♦	6	29.47	29.86	31.66	+0.15	0
TR Income Growth ♦	6	24.69	24.95	26.45	+0.02	0
TR Japan Growth ♦	6	24.14	24.35	25.81	-0.58	0
TR Mgd Equity ♦	6	25.94	26.21	27.78	+0.09	0
TR Overseas Growth ♦	6	28.19	28.59	30.31	-0.18	0
TR Smaller Cos ♦	6	18.05	18.22	19.31	+0.12	0
TR Special Ops ♦	6	17.46	17.64	18.70	—	0
TR Stlg Liquidity ♦	6	25.77	26.23	27.32	—	0
TR Wwde Sp Sits ♦	6	29.39	29.77	31.56	-0.36	0
Trades Union Unit Tst Mngrs (1200)H						
NLA Tower, Addiscombe Road, Croydon 01-686 4355						
TUUT	5	237.5	242.9xd	256.6	+0.4	3.38
Triton Fd Mngrs. Ltd. (1000)H						
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400						
Triton General	5¾	163.9	166.8xd	177.5	+0.1	3.04

	Bid Price	Offer Price	+ or -	Yield Gros
J. Rothschild Fund Managers Ltd				
Intl Exempt	142.9	144.4	—	3.20
Stewart Ivory & Co Ltd				
Saints PPF Mar 14	255.5	269.0	—	0.00
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Apr 2	100.80	107.47	—	3.85
(Accum Units)	101.58	108.31	—	3.85
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	991	1006	—	3.25
TR Exempt Nth Amer	991	1006	—	3.25
TR Exempt Pac Basin	914	927	—	0

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gros
AA Friendly Society				
(Investment Mngt M & G Ins Mngt Ltd)				
AA Friendly Sy Mar 9	—	164.5	—	—
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	298.6	314.4	—	—
Equity Ser. 1	128.1	134.9	+0.3	—
Prop. Acc. Ser 2	460.3	484.6	—	—
Equity Ser 2	148.6	156.5	+0.3	—
Selective Acc	339.8	357.7	+0.4	—
Prop. Ser. 4	360.6	379.6	—	—
Equity Ser. 4	152.0	160.1	+0.3	—
Man. Ser. 4	434.8	457.7	+0.7	—
Fixed Int. Ser. 4	209.0	220.1	+0.7	—
Indexed Inv. Ser. 4	140.3	147.8	+0.1	—
American Ser. 4	323.6	340.7	+2.6	—
Japan Ser 4	264.7	278.7	-5.0	—
European Ser 4	127.3	134.1	+0.7	—
High Inc. Ser. 4	453.1	477.0	+7.7	—
Money Ser. 4	245.1	258.1	—	—
Intl Ser. 4	112.3	118.2	—	—
Custodian Ser. 4	102.1	107.5	—	—
Pension Funds				
Property	644.3	678.2	—	—
Equity	1111.4	1169.9	+2.7	—
Selective	369.0	388.5	+0.4	—
Managed	823.6	867.0	+3.4	—
Security	483.6	509.5	—	—
Fixed Int.	268.4	282.0	+0.8	—
Indexed	152.9	160.4	+0.1	—
American	274.1	288.6	+0.6	—
Japan	276.3	290.9	-3.9	—
European	188.1	198.1	+2.4	—
High Income	125.3	131.9	+2.6	—
Ethical	116.9	123.1	+0.1	—
International	207.6	218.6	+1.4	—
Abtrust Management Ltd				
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580				
Managed Growth	366.85	386.16	—	—
Managed Income	134.38	141.46	—	—

	Bid Price	Offer Price	+ or -	Yield Gross
Laurentian Life plc—Contd.				
formerly Trident Life				
Life Funds				
Equity Ser 3 Acc	477.7	502.8	+2.9	—
Gtd Managed Acc	334.8	352.4	+0.5	—
Pension Funds				
Pens Equity	642.0	675.8	+3.4	—
Pens Managed	589.7	620.7	+2.1	—
Pens Gilt-Edge	361.7	380.7	+0.8	—
Pens Deposit	375.8	395.6	—	—
Pens Property	571.6	601.7	—	—
Swiss Bond	180.3	189.8	-1.2	—

	Bid Price	Offer Price	+ or -	Yield Gross
Merchant Investors Assurance Co Ltd — Contd.				
MI UK Fund		398.9	+0.5	—
MI UK Pens		643.6	+1.2	—
MI Intl Equity		381.3	+1.3	—
MI Intl Equity Pens		595.4	+2.6	—
MI International Fund		365.2	+0.8	—
MI Intl Fd Pens		531.0	+1.6	—
MI Nth American Equity Fund		139.9	+1.2	—
MI Nth Am Equity Pens		157.1	+1.8	—
MI Far East Equity Fund		300.5	+1.0	—
MI Far East Equity Pens		397.7	+1.7	—

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
National Financial Management Corp PLC				
72 Gatehouse Rd Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	101.5	106.9	+0.1	–
Managed Growth	137.5	144.8	+0.6	–
Managed Opportunity	140.3	147.7	+0.5	–
NFMC Target Financial	100.3	105.6	+0.7	–
Pension Funds				
Managed Cautionary	106.4	112.0	+0.1	–
Managed Growth	141.6	149.1	+0.6	–
Managed Opportunity	142.0	149.5	+0.4	–
NFMC Target Mngd Pens	1458.6	1535.4	+1.1	–
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Managed Fund	219.9	231.5	-1.4	–
Managed Prospect Fund	184.5	194.3	-1.2	–
Pens Managed	287.8	303.0	-0.7	–
Pens UK Equity	334.8	352.5	+0.5	–
Pens Overseas Equity	409.1	430.7	-2.8	–
Pens Property	148.1	155.9	-8.8	–
Pens Fixed Interest	169.9	178.9	+1.8	–
Pens Index Linked	[illegible]	150.6	+0.6	–
Pens Deposit	192.9	203.1	+0.5	–
[illegible]				
UK Equity	146.3	154.1	+0.2	–
Overseas Equity	146.4	154.2	-1.0	–
Fixed Interest	116.1	122.3	+1.2	–
Property	123.3	129.8	-7.3	–
Index Linked	130.0	136.9	+0.6	–
Deposit	133.9	141.0	+0.4	–
Managed	[illegible]	152.7	-0.4	–
With Profits	136.8	144.0	+0.3	–
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 01-623 4200				
Managed	335.1	352.8	+0.6	–
UK Equity	424.7	447.1	+1.1	–
Overseas Eq	355.2	373.9	+0.3	–
Americas	269.2	283.4	+2.5	–
Far East	354.4	373.1	-4.0	–
Property	217.2	228.7	-0.1	–
Fixed Int	210.4	221.5	+0.3	–
[illegible]	135.4	142.6		–
Deposit	161.6	170.2	+0.1	–
Pension Fund (Accum Units)				
Managed	453.7	477.6	[illegible]	–
UK Equity	527.2	555.0	+1.5	–
Overseas Eq	575.5	605.8	-0.2	–
Americas	356.6	375.4	+2.9	–

	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Assc. Co Ltd – Contd.				
UK Managed Initial	114.0		+0.6	–
Property Initial	166.0		+0.1	–
Money Initial	79.6			–
Special Market Initial	133.2			–
Japan Equity Initial	89.6		-1.0	–
North American Initial	84.0		+0.2	–
Pacific Initial	77.6		-0.6	–
Technology Initial	89.5		-0.3	–
Nat Resources Initial	56.8		-0.4	–
European Initial	107.1		[illegible]	–
Residential Prop Init	99.4			–
Swiss Equities Initial	36.1		+0.1	–
Hong Kong Initial	49.7		-0.2	–
UK High Inc Eq Init	67.7		+0.5	–
Int Fixed Interest Init	48.9		-0.1	–
Int Managed Init	56.4		-0.1	–
HIP Managed Init	112.8		-0.7	–
HIP Managed II Initial	98.8			–
[illegible]				
High Performance	74.8	78.9		–
Towerhill Mngd Fd Acc	50.6	53.3	+0.4	–
SRA Executive Fd	91.5	96.5	-0.1	–
£ Global Growth Acc	130.5	137.6		–
£ High Income Money Acc	111.4	117.7		–
IRI Balanced	55.1		-0.1	–
H.F. Speculator Fd	156.1		[illegible]	–
PEP Accm II	121.5		-0.6	–
PEP Cautionary	86.8		+0.2	–
AAFS Int Man Fund	119.6		+0.9	–
Anderson Green Int Port	98.6			–
[illegible]				
UK Equity Acc	219.3	231.4	+2.5	–
[illegible]	172.9	182.4	+0.3	–
Int'l Equities Acc	249.1	262.8	-0.8	–
UK Managed Acc	179.3	189.1	+1.1	–
Property Acc	208.6	220.1	+0.1	–
Money Acc	137.7	[illegible]	–	–
Special Market Acc	267.4	282.1	+0.3	–
Japan Equity Acc	181.7	191.7	-1.9	–
North American Acc	131.3	138.6	+0.6	–
Pacific Acc	189.6	200.1	-1.8	–
Technology Acc	146.5	154.6	-0.6	–
Natural Resources Acc	111.9	[illegible]	-0.9	–
European Acc	143.3	[illegible]	+0.4	–
Residential Prop Acc	109.3	115.4		–
Swiss Equities Acc	37.3	39.4	-0.1	–
Hong Kong Acc	51.8	[illegible]	-0.3	–
UK High Inc [illegible]	74.8	79.0	+0.8	–
Int Fixed Interest Acc	52.2	55.1		–
Int Managed Acc	[illegible]	63.3	-0.2	–

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Ivory & Sime (Luxembourg) SA						
13 rue Goethe L-1637 Luxembourg 010 352 4046461						
Atlas Fund						
Global Cap Portfolio		$	2.375	2.519	[illegible]	0.25
United States Portfolio		$	2.469	2.619	[illegible]	0.55
United Kingdom Portfolio		£	1.084	1.150	[illegible]	11.10
Cont Europe Portfolio		DM	4.500	4.772	[illegible]	0.45
Europriva Portfolio		$	1.089	1.154	[illegible]	—
Japan Portfolio		£	0.732	0.777	[illegible]	—
Pacific Portfolio		$	2.628	2.789	[illegible]	1.00
Gold Portfolio		$	2.094	2.221	[illegible]	0.35
UK Growth of Income		£	1.151	1.221	[illegible]	1.90
Sterling Gilt Portfolio		£	0.917	0.972	[illegible]	5.00
Global Bond Portfolio		$	1.882	1.994	[illegible]	1.50
Dollar Portfolio		$	2.069	2.070	[illegible]	7.50
Yen Portfolio		$	0.877	0.878	[illegible]	2.20
Sterling Portfolio		£	1.039	1.040	—	6.40
Midland International Circuit Fund SICAV						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 37788						
UK Growth		£	0.998	1.059	[illegible]	—
European Growth		£	1.087	1.154	[illegible]	—
Japan Growth		[illegible]	[illegible]	[illegible]	[illegible]	—
Pacific Growth		[illegible]	[illegible]	[illegible]	[illegible]	—
Nth American Growth		$	1.026	1.089	[illegible]	—
UK Fixed Interest		£	1.011	1.073	—	—
Multicurrency Bond		£	1.016	1.078	[illegible]	—
UK Stlg Liquidity		£	1.013	1.075	[illegible]	—
US$ Liquidity		$	1.026	1.088	[illegible]	—
Morgan Grenfell UT Mgrs/Deutsche Bank						
Representative for UK, Luxembourg						
20 Finsbury Circus, EC2M 2UT 01-826 0826						
Eurorenta		DM	79.40	81.80	+0.1	—
DM Reserve		DM	115.14	116.30	+0.1	—
Dollarrenta		$	48.39	49.90	—	—
Nomura Global Fund						
UK dealing agent National Inv Group plc, Holland Hse, 1/4 Bury Street, London EC3A 5AT 01-283 8050						
Asia Pacific P'folio			$2.12		—	—
Royal Trust Asset Management Fund						
41 Avenue de la Gare L-1611, Luxembourg 352 409 061						

	Bid Price	Offer Price	+ or −	Yield Gross
NM Financial Mgmt Intl Ltd – Contd.				
Deutschemark Currency		DM4.570d	−0.001	2.36
Dollar Currency		$0.974d	—	4.91
Sterling Currency		£0.97d	—	10.48
Yen Currency		Y197.5d	—	1.40
Managed Currency	10.940	0.998d	−0.004	4.94
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y3,128	3,159	—	—
New Generation Fd, $	$20.56	20.57	—	—
Japan Index Alpha	Y10,282	10,457	—	—
Jap Sector Rotation	Y8,608	8,736	—	—
Stronghold Asset Mngmt (Guernsey) Ltd				
Tech and Comm	$15.11	15.89	−0.75	—
Pacific Basin Fd	$10K74	11.57	+2.41	—
Western European	$18.59	19.92	+0.33	—
Tyndall International (Guernsey) Ltd				
Capital Defender	$1.28	1.35	—	—
Hi Yield Bond	62.0	65.2	+0.1	13.30
Internat. Spec. Sits	49.9	52.4	−0.2	—
Marunouchi Fd	73.6	77.3	−2.1	—
U.S. Treasury Securities Fund Ltd				
Short Term Shares		$700.08	—	—
Fixed Income Shares		$803.32	—	—
Wellington Fd Mngrs (Guernsey) Ltd				
Intnl Growth Fd	$13.33	13.99	—	—
Yamaichi Capital Mngmt (Guernsey) Ltd				
Japan Mega Growth	$10.90		−0.20	—
Yamaichi ISS Fund	$7.41		−0.11	—
Yamaichi CB Plus Fund	$8.19		−0.05	—
Thai Inv Fund	$12.07		—	—

JERSEY (**)

	Bid Price	Offer Price	+ or −	Yield Gross
Allied Irish Fund Managers (CI) Ltd				
Sterling Currency Fd	£24.4936		+0.0378	—
Managed Currency Fd	£34.4156		+0.3023	—
Do Sterling Equivalent	£21.0412		+0.0180	—
Ecu	Ecu12.7545		+0.0233	—
Irish Gilt Fd	IE£86.9736		+0.3618	—

	Bid Price	Offer Price	+ or −	Yield Gross
Nomura Prudential Fd Pt II				
NAV Apr 4	$11.64		−0.10	—
Nomura Prudential Global Portfolio				
NAV Apr 4	$13.61		+0.21	—
Nomura Rosenberg Alpha Fund Mark II				
Portfolio A. NAV	$23.35		—	—
Portfolio B. NAV	$10.05		—	—
North Star Fund Managers (Cayman) Ltd				
Invest Fund	DKr262.0	263.0	—	—
Low Risk Fund	DKr205.0	206.0	—	—
High Perf Fund	[illegible]	247.0	—	—
Bond Fund	DKr158.0	159.0	—	—
Second Low Risk Fd	DKr169.0	170.0	—	—
Second High Perform Fd	DKr196.0	197.0	—	—
Mixed Intl Fd	[illegible]	144.0	—	—
Invest Fd (Cayman)	DKr116.0	117.0	—	—
High Perf Fd (Cayman)	[illegible]	[illegible]	—	—

	Bid Price	Offer Price	+ or −	Yield Gross
Tyndall International (Bermuda) Ltd				
American Special Sits	$44.87	47.12	+0.28	—
Capital Protection Apr 3	$10.35	10.87	—	—
Commodity Apr 3	$26.85	28.20	—	—
Eurobond	$27.79	29.19	+0.20	—
Money Apr 3	$34.39	36.12	—	6.85
Mortgage Apr 3	C$13.68	14.36	—	—
North American	$38.32	40.25	+0.50	—
Overseas	$23.51	29.95	+0.18	—
Pacific Gold	$4.52	4.76	+0.04	—
Tiger	$43.95	46.16	[illegible]	—
US Pacific Stock Fund				
NAV Apr 4	$15.97		—	—
Unico Financial Services SA Lux				
DG Investment Bank Ltd				
Unico Invest. Fund	DM70.21	72.40	—	3.00
Unico Equity Fund	DM64.49	66.42	—	3.00
Union-Investment-Gesellschaft GmbH				

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

DUBLIN (SIB RECOGNISED)

GUERNSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Trading becalmed ahead of G7

CURRENCY TRADING remained subdued yesterday. The dollar weakened slightly against the Japanese yen, but was otherwise virtually unchanged, lacking fresh factors and drifting in a narrow range. In general market opinion appeared to favour the US currency as a short term parking place for speculative funds, because of economic and political problems weighing on the yen, and D-Mark. This view also helped to underpin sterling.

Profit taking in long D-Mark positions against the yen provided support for the Japanese currency, as traders squared books ahead of the Paris Group of Seven meeting this weekend. Dealers are sceptical that the G7 will take any significant measures to defend the yen. Mr Ryutaro Hashimoto, Japanese Finance Minister, has said that exchange rates will not be the main topic in Paris, but the mere fact the meeting is taking place is enough to make the market cautious.

This pushed the D-Mark down to Y93.25 from Y93.50 at the London close. The dollar also eased against the yen, falling to Y158.55 from Y159.00 at the finish of trading in London. The yen may continue to improve, ahead of the G7 meeting, according to dealers, but its potential for recovery is limited by relatively low interest rates in Tokyo and nervousness about Japanese equity prices.

The D-Mark traded very quietly. It lost ground to the yen and sterling, but was virtually unchanged against other currencies, including the dollar, where the London closing level was steady at DM1.7005. German monetary union remains an important factor hanging over the D-Mark, but until a final agreement is hammered out between Bonn and East Berlin the West German currency seems likely to be confined to narrow ranges.

The dollar firmed slightly to SFr1.5060 from SFr1.5020, but was unchanged at FFr5.7125 at the London close. On Bank of England figures the dollar's index fell to 68.7 from 68.8.

The European Monetary System is now divided into two distinct groups, with the Spanish peseta and Italian lira very firm, well above the other members, including the D-Mark. At the London close the D-Mark had firmed to L735.05 from L734.50 against the lira, but was unchanged at FFr3.3595 in terms of the French franc.

High London interest rates continued to support sterling. Lack of economic news concentrated attention on the pound's interest rate advantage over other currencies. The political situation in the UK continues to give some concern, but in the absence of other events the next major test for sterling is unlikely before figures on UK retail prices and average earnings next Thursday.

The pound gained 65 points to $1.6420. It also advanced to DM2.7925 from DM2.7800; to Y260.25 from Y260.00; to SFr2.4725 from SFr2.4575; and to FFr9.3800 from FFr9.3425. Sterling's index rose 0.4 to 87.8.

£ IN NEW YORK

Apr.4	Latest	Previous Close
£ Spot	1.6420-1.6430	1.6360-1.6370
1 month	0.87-0.86pm	0.96-0.95pm
3 months	2.60-2.57pm	2.60-2.57pm
12 months	9.28-9.21pm	9.22-9.15pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr.4	Previous
8.30 am	87.4	87.6
9.00 am	87.6	87.2
10.00 am	87.7	87.4
11.00 am	87.9	87.3
Noon	87.8	87.4
1.00 pm	87.8	87.4
2.00 pm	87.9	87.4
3.00 pm	87.9	87.4
4.00 pm	87.8	87.4

CURRENCY RATES

Apr.4	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.794163	0.734133
U.S Dollar	7	1.29663	1.20945
Canadian $	13.32	1.51200	1.40844
Austrian Sch	6½	15.5233	14.4015
Belgian Franc	10¼	45.6511	42.5293
Danish Krone	10½	8.42515	7.82275
Deutsche Mark	6.00	2.20609	2.04497
Neth Guilder	7.00	2.48564	2.30469
French Franc	10¼	7.41543	6.87587
Italian Lira	13½	1621.44	1504.40
Japanese Yen	5¼	206.294	191.368
Norway Krone	8	8.53701	7.91557
Spanish Peseta	-	140.902	130.249
Swedish Krona	12	7.96325	7.38517
Swiss Franc	6.00	1.94754	1.81420
Greek Drach.	20½	N/A	196.717
Irish Punt	-	N/A	0.762796

† European Commission Calculations.
* All SDR rates are for Apr.3

CURRENCY MOVEMENTS

Apr.4	Bank of England Index	Morgan** Guaranty Changes %
Sterling	87.8	-23.8
U.S Dollar	68.7	-9.1
Canadian Dollar	104.8	+1.8
Austrian Schilling	110.1	+12.1
Belgian Franc	111.1	-2.4
Danish Krone	110.4	+4.9
Deutsche Mark	118.9	+24.7
Swiss Franc	109.3	+17.7
Guilder	114.8	+16.4
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

[illegible]

OTHER CURRENCIES

Apr.4	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	115.80*	70.80*
Korea(Sth)	1145.10-1163.60	702.80-708.40
Kuwait	0.4815-0.4825	0.2940-0.2950
Luxembourg	57.65-57.75	35.10-35.20
Malaysia	4.4765-4.4880	2.7290-2.7310
Mexico	4538.35-4542.80	2780.00-2790.00
N. Zealand	2.8365-2.8415	1.7260-1.7280
Saudi Ar.	6.1330-6.1385	3.7500-3.7510
Singapore	3.0805-3.0880	1.8780-1.8800
S. Af (Cm)	4.3495-4.3610	2.6560-2.6575
S. Af (Fn)	6.6225-6.7590	4.0320-4.1150
Taiwan	43.35-43.45	26.40-26.45
U.A.E.	6.0045-6.0120	3.6715-3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

Apr 4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: [illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000. French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Close	Change	High	Low	Yield	Open int.
June	[illegible]	102.58	+0.14	102.74	102.14	9.54	68,711
September	102.20	102.50	+0.10	102.64	102.14	9.56	10,032
December	102.30	102.64	+0.18	102.64	102.30	9.54	3,639
March	-	-	-	-	-	-	-

Estimated volume 59,430 Total Open Interest 82,382

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls Sept.	Calls Dec.	Puts June	Puts Sept.	Puts Dec.
100	2.07	-	-	0.34	-	-
101	2.11	-	-	0.57	1.27	-
102	1.30	2.06	-	0.90	1.60	-
103	0.90	1.59	-	1.39	-	-
104	0.58	-	-	-	-	-
105	0.33	0.91	-	-	-	-
Open Int.	148,590	29,663	2,892	167,564	13,991	1,300

Estimated volume 22,537 Total Open Interest 364,050

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int.
June	89.25	89.96	+0.09	89.99	89.22	10.04	16,165
September	89.86	[illegible]	+0.09	90.01	89.84	10.02	6,382
December	89.86	89.59	+0.18	90.00	89.86	10.00	2,987
March	89.88	89.96	[illegible]	89.96	89.88	9.96	27

Estimated volume 11,594 Total Open Interest 25,481

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open Int.
April	2005.0	2015.0	+22.0	2023.0	1998.0	4,662
May	2004.0	2016.0	+21.5	2022.0	2004.0	272
June	2004.0	2004.0	+9.5	[illegible]	2004.0	137
September	-	-	-	-	-	-

Estimated volume 5,325 Total Open Interest 5,071

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6420	1.6328	1.6163	1.5912	1.5501

IMM-STERLING $e per £

	Latest	High	Low	Prev.
Jun	1.6210	1.6230	1.6200	1.6148
Sep	1.5970	1.5980	1.5966	1.5904

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16½	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm.	15	Robert Fraser & Ptns.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit. Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk N. East	15	Mount Banking	15		
		Nat. Bk. of Kuwait	15		

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MONEY MARKETS

London rates ease

THE SLIGHTLY softer tone seen in London interest rates continued yesterday. Tuesday's comments by Mr John Major, the UK Chancellor, that he expects interest rates to fall by the middle of next year had no impact. Three-month interbank fell to 15$\frac{3}{16}$-15⅛ per cent from 15¼-15$\frac{3}{16}$, while one year money eased to 15⅛-15$\frac{1}{16}$ per cent from 15$\frac{3}{16}$-15⅛.

Day-to-day credit was in ample supply on the money market. The Bank of England initially forecast a flat position, but revised this to a surplus of around £200m at noon and to a surplus of £150m in the afternoon. The authorities did not operate in the market before lunch, but in the afternoon absorbed surplus funds by selling £151m Treasury bills maturing today, at rates of 13⅞ to 14⅝ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £144m, with a rise in the note circulation absorbing £140m and bank balances below target £25m. These were roughly balanced by Exchequer transactions adding £325m to liquidity.

Short sterling futures finished towards the top of a fairly narrow range on Liffe. June delivery opened slightly weaker at 84.78, and touched a low of 84.76. The contract rose to a peak of 84.84 and closed at 84.81, against 84.79 previously.

In Frankfurt call money was steady at 7.85 per cent, despite a drain of liquidity by the Bundesbank at this week's securities repurchase agreement tender. The central bank allocated a total of DM29.6bn at the tender, to replace two expiring pacts of DM32.2bn. The money was provided via DM19.8bn in 28-day funds at rates of 7.75 to 8.00 per cent, and a further DM9.8bn was allocated for 63 days at rates of 7.85 to 8.15 per cent.

The terms of the tender were in line with market expectations. A draining of funds was widely forecast to offset the relatively high reserve holdings held by banks at the start of April.

In Sydney the Australian Reserve Bank eased its monetary policy with the aim of reducing cash rates in the money market to 15 to 15.5 per cent. Rates closed on Tuesday at around 16.25 to 16.35 per cent. Mr Paul Keating, Australian Treasurer, and the the central bank, agreed there are unlikely to be any further adjustments to monetary policy in the months ahead.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.4) 3 months US dollars		6 months US Dollars	
bid 8⅞	offer 8⅞	bid 8¾	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9½
Fed.funds	8¼
Fed.funds at intervention	8¼

Treasury Bills and Bonds

One month	7.38	Three year	8.66
Two month	7.70	Four year	8.65
Three month	8.18	Five year	8.63
Six month	8.27	Seven year	8.69
One year	8.33	10-year	8.62
Two year	8.60	30-year	8.59

Apr.4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.80-7.90	7.80-7.90	7.95-8.05	8.10-8.20	8.45-8.60	8.00
Paris	10-10⅛	9⅞-10⅛	-	10⅛-10¼	-	9.75
Zurich	8¼-8⅝	8¾-9	-	8⅞-9⅛	-	-
Amsterdam	8.12-8.25	8.25-8.35	-	8.40-8.50	-	-
Tokyo	6⅞-7	7⅛-7¼	-	7⅝-7¾	-	-
Milan	12-12½	12¼-12¾	-	12¼-12½	-	-
Brussels	9.20	10⅛-10⅜	-	10⅛-10¼	-	-
Dublin	11¾-11½	11¾-11⅞	12⅛-12¼	12⅛-12¼	12⅜-12⅝	-

LONDON MONEY RATES

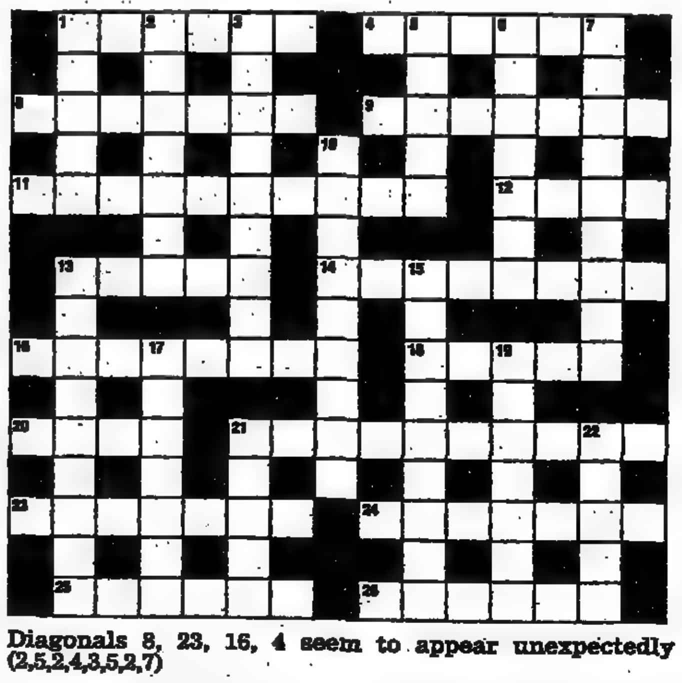
Apr 4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

JOTTER PAD

CROSSWORD

No.7,207 Set by CINEPHILE



Diagonals 8, 23, 16, 4 seem to appear unexpectedly (2,5,2,4,3,5,2,7)

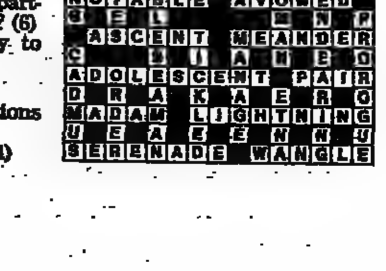
ACROSS

1 Modesty at end of game? (2-4)
4 Detectives with Reagan turned blond, probably (6)
8 Weapons for all but the west in sea (7)
9 A way up for the English dancer (7)
11 Ringers in their sounds have a lot of big beasts (10)
12 Smile of smiling ringers (4)
13 Ardour without love provided sorghum (5)
14 Don't move from jobs at check-out? (3,5)
16 Giants about start of year: they keep the score (8)
18 Ask for job to be relevant? (5)
20 Father at home means anguish (4)
21 Tennis on grass court initially may be in agreement (10)
23 Sign about one model that is least solid (7)
24 Stencil used by customers (7)
25 Journalist at French department wanted for lawns? (6)
26 Extremely worn, sorry to say? (6)

DOWN

1 Railwaymen get directions for tender (5)
2 What does ——? Cubs (3-4)
3 Resonator paid up on time before Annual General Meeting (9)
5 Nothing like islands in desert? (5)
6 Pulling a drink? (7)
7 With all my heart, soft drink style? (9)
10 With one voice, from non-U saint (9)
13 Do a little art and a little poetry, and make a distinction (4,1,4)
15 Gypsy artist against being inside counter (9)
17 Doing surgery for African party in heather (7)
19 Set whistle blower on to your leader? Rot! (7)
21 Franck causes scare (5)
22 Famous refusal to Heath (5)

Solution to Puzzle No.7,206



WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

FRANCE
[illegible]

FRANCE (continued)
[illegible]

GERMANY
[illegible]

GERMANY (continued)
[illegible]

ITALY
[illegible]

ITALY (continued)
[illegible]

NETHERLANDS
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

SOUTH AFRICA
[illegible]

JAPAN
[illegible]

AUSTRALIA
[illegible]

AUSTRALIA (continued)
[illegible]

HONG KONG
[illegible]

MALAYSIA
[illegible]

SINGAPORE
[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
4pm prices April 4

[illegible]

MONTREAL
4pm prices April 4

[illegible]

Total Sales 6,856,048 shares.

INDICES

NEW YORK

DOW JONES	Apr 4	Apr 3	Apr 2	Mar 30	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2719.37	2736.71	2700.45	2707.21	2810.15 (2/1)	2543.24 (30/1)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.55	90.65	90.69	90.61	93.04 (3/1)	90.30 (29/3)	—	—
Transport	1182.29	1188.85	1178.88	1183.14	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.47	215.54	213.86	214.66	236.23 (2/1)	212.90 (22/3)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2755.86 (2741.67) Low 2708.54 (2700.68)

STANDARD AND POOR'S

	Apr 4	Apr 3	Apr 2	Mar 30	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	341.09	343.64	338.70	339.94	359.69 (2/1)	322.98 (30/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	396.02	398.94	392.84	394.18	411.20 (2/1)	371.92 (30/1)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.84	28.05	27.73	27.95	31.87 (3/1)	27.31 (30/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	187.31	188.55	186.08	186.85	198.00 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (28/4/42)
Amex Mkt. Value	361.12	361.65	359.37	361.75	382.45 (5/1)	345.50 (30/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	435.42	437.65	433.18	435.54	460.90 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar 30	Mar 23	Mar 16	year ago (approx.)
Dow Industrial Div. Yield	4.06	4.06	4.00	3.78

	Mar 28	Mar 21	Mar 14	year ago (approx.)
S & P Industrial div. yield	3.04	3.05	3.09	3.21
S & P Ind. P/E ratio	15.07	14.97	14.80	12.84

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Avon Prod	3,450,200	35¼	+ 1⅛
Woolworth	3,361,000	61⅛	- 2
Baxter Int.	2,192,100	24⅝	- ¼
Philip Morris	2,153,800	40⅛	- ⅜
IBM	1,716,200	106⅛	- ⅛
Amax	1,678,400	27⅛	- ¼
Archer Dan	1,556,800	25⅜	- ¼
Am. Express	1,373,800	26⅛	+ ⅜
Pfizer	1,347,500	57	- 1⅛
Gen. Electric	1,305,300	64⅛	- ⅞

TRADING ACTIVITY

† Volume (Millions)	Apr 4	Apr 3	Apr 2
New York	159.540	154.310	124.360
Amex	11.203	12.200	9.366
NASDAQ	(u)	134.754	111.378
Issues Traded	1,973	1,962	1,980
Rises	586	1,065	424
Falls	915	419	1,128
Unchanged	472	478	428
New Highs	34	31	7
New Lows	47	42	58

CANADA

TORONTO	Apr 4	Apr 3	Apr 2	Mar 30	1990 HIGH	1990 LOW
Metals & Minerals	3157.10	3193.60	3117.40	3125.70	3453.05 (4/1)	[illegible]
Composite	3635.00	3648.20	3612.30	3639.60	4009.47 (3/1)	3612.30 (2/4)
MONTREAL Portfolio	1877.99	1892.90	1866.61	1880.74	2060.90 (3/1)	1852.36 (23/2)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr 4	Apr 3	Apr 2	Mar 30	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1516.8	1505.4	1507.1	1535.8	1713.7 (12/1)	1505.4 (3/4)
All Mining (1/1/80)	780.1	770.6	774.9	789.4	860.8 (5/1)	770.6 (3/4)
AUSTRIA						
Credit Aktien (30/12/84)	681.34	686.80	694.14	676.56	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6116.42	6104.17	6091.98	6134.66	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	369.75	374.60	378.57	380.47	380.47 (28/3)	358.77 (2/1)
FINLAND						
Unitas General (1975)	602.4	602.0	605.2	617.1	677.3 (23/1)	590.5 (2/1)
FRANCE						
CAC General (31/12/82)	530.98	521.70	522.41	521.15	554.7 (5/1)	482.94 (26/2)
CAC 40 (31/12/87)	2001.49	1985.58	1947.18	1971.79	2006.42 (4/1)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	828.56	830.92	817.68	830.15	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2407.8	2414.0r	2374.8	2403.1	2414.0 (3/4)	2131.5 (24/1)
DAX (30/12/87)	1963.25	1968.33	1931.30	1968.55	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2960.88	2962.45	2934.70	2997.98	3014.02 (26/3)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1716.96	1724.50	1727.22	1750.51	1893.10 (22/1)	1716.96 (4/4)
ITALY						
Banca Com. Ital. (1972)	685.87	682.56	683.14	683.86	707.41 (12/1)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	28442.94	28759.72	28002.07	29980.45	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2075.96	2111.10	2069.33	2227.48	2867.70 (4/1)	2069.33 (2/4)
2nd Section (4/1/68)	3490.62	3586.07	3663.11	3817.90	4384.68 (9/2)	3490.62 (4/4)
MALAYSIA						
KLSE Composite (4/4/86)	561.20	565.13	565.92	580.60	622.20 (20/2)	558.07 (24/1)
NETHERLANDS						
CBS Tti,Rtn.Gen.(End 1983)	257.8	257.4	254.3	257.9	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	197.7	197.5	195.1	197.8	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (2/1/83)	811.49	810.06	797.60	818.48	845.40 (16/3)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1096.99	1083.70	1089.70	1099.31	1160.70 (21/3)	1014.09 (5/3)
SINGAPORE						
SES All-Singapore (2/4/75)	422.14	424.07	422.66	431.77	445.34 (6/2)	413.64 (24/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1895.0§	1857.0	1867.8	1960.0	2230.0 (16/1)	1857.0 (26/2)
JSE Industrial (28/9/78)	2913.0§	2880.0	2906.0	2976.0	3211.0 (6/2)	2795.0 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	828.98	836.63	838.29	843.84	928.82 (4/1)	819.04 (23/3)
SPAIN						
Madrid SE (30/12/85)	249.62	248.97	248.17	254.04	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1138.66	1133.50	1127.20	1142.30	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	744.7	743.9	738.0	(u)	787.2 (11/1)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	10907.09	11119.00	11163.49	10512.19	12495.34 (10/2)	9805.40 (9/1)
THAILAND						
Bangkok SET (30/4/75)	846.03	848.17	855.74	851.53	918.67 (5/1)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	476.5	468.3	488.8	571.0 (4/1)	468.3 (2/4)

**Saturday Mar. 31: Taiwan Weighted Price: 10755.87 Korea Comp Ex. 840.89

§ Subject to official recalculation. † Corrected figure

δBase values of all Indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday April 4 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
NEC	25.2m	2,170	-40	Toshiba	11.8m	1,030	-60
Hitachi	25.0m	1,580	-40	Ishkwjm-Hrm H I	9.2m	851	-24
Canon	24.1m	1,780	-20	Honshu Paper	9.2m	1,390	-300
Nippon Steel	14.3m	610	+8	Matsushita Ec In	8.7m	2,200	-40
Mitsubishi Ec Co	12.8m	860	-30	Sharp	7.8m	1,780	-20

4pm prices April 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	25½	AAR	.48	1.6	18	755	30⅛	29½	29½	– ⅛
9⅝	8½	ACM n	1.01	11.		95	9⅛	9	9	– ⅛
11⅞	10½	ACMIn	1.26	12.		523	11	10⅞	10⅞	
9⅞	7¼	ACM M	n1.01	12.		211	8⅛	8	8⅛	+ ⅛
12⅛	11⅞	ACMMM				134	11⅝	11½	11⅝	
11½	10	ACM Sc	1.26	12.		1829	10⅝	10½	10½	– ⅛
9⅝	8⅛	ACMSp	1.01	12.		471	8⅞	8½	8½	– ⅛
22⅝	13	AL Lab	.16	.7	21	221	22⅝	22	22	– ⅝
4⅝	3⅛	AMCA	.12e	3.8	39	2	3⅛	3⅛	3⅛	
6⅝	2⅞	AM Intl			10	208	3	2⅞	2⅞	– ⅛
23½	16⅝	AM In pf	2	12.		15	16⅞	16½	16⅝	+ ⅛
107⅛	52½	AMR			8	6325	85⅝	83⅝	84	– 1⅛
5⅛	3⅛	ARX				54	3⅝	3½	3⅝	
72⅛	39	ASA	3a	5.8		536	52⅝	51⅝	52⅛	+ ⅛
70⅛	53⅛	AbtLab	1.68	2.5	17	2954	67⅛	66½	66⅛	– ⅛
17¼	11⅛	Abitibi g	.50			76	13⅝	13⅜	13⅜	– ⅜
13	8⅞	AcmeC	.40	4.1	17	36	9⅝	9⅝	9⅝	
9⅝	7	AcmeE	.32	3.5	12	36	9⅛	8⅞	9⅛	
38½	28⅛	Acuson			23	1050	36⅝	35⅝	36½	+ 1
16½	13⅛	AdaEx	2.06e	13.		68	15⅝	15⅝	15⅝	
15⅞	7⅝	Adobe				110	12⅞	12⅝	12⅞	
20⅛	16⅞	Adob pf	1.84	9.7		702	19⅛	19	19	+ ⅛
10½	8⅞	AMD			21	1807	9⅝	9⅛	9⅛	– ⅛
35	28⅛	AMD pf	3	9.4		12	32	31⅛	31⅛	– ⅛
10⅛	5	Advest	.16	3.0	7	82	5⅛	5⅛	5⅛	
62½	48⅝	AetnLf	2.76	5.5	8	1931	51	50½	50½	– ⅛
14	9⅞	AflPb	.24	2.3		98	10⅛	10⅛	10⅛	– ⅛
25	16⅝	Ahmans	.88	5.1	9	1146	17⅝	17⅛	17⅛	– ⅝
3⅞	2	Aileen				80	2	d1⅞	2	
53⅛	40	AirPrd	1.32	2.5	13	2465	51⅝	50⅞	51	– ⅝
47⅞	22⅞	AirbFrt	.60	1.3	19	301	u48	47⅛	47⅞	+ ⅛
25⅛	15½	Airgas			15	15	16⅞	16⅛	16⅞	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20	12⅝	Reebok	.30	1.7	12	3046	18⅛	17¾	18	− ⅛
16	8⅝	Reece	.15e	1.7		2	9	9	9	− ⅛
⅛	5-32	Regal				130	⅛	⅛	⅛	+ 1-32
15⅝	12½	ReichTg	1.76et3.		8	54	14⅛	14	14	− ⅛
8⅝	4⅞	RelGrp	.32	5.8	20	76	5⅞	5⅝	5⅝	
24⅞	18¾	Repsol	n.27e	1.3		828	21½	21⅛	21½	− ⅛
6⅞	4⅞	RepGyp	.20	4.3	33	105	4⅞	4⅝	4⅝	
52⅞	42⅝	RepNY	1.32	2.9	1160	154	46⅛	46	46	− ½

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60	49⅛	Xerox	3	5.4	53368	55⅛	54⅞	55⅛	+ ⅛	
47⅞	45⅞	Xerox pf			5	45⅞	45⅞	45⅞	− ⅛	
41⅛	21⅛	XTRA	.72	3.2	25	210	23⅛	22⅝	22⅞	− ⅛
32⅝	18½	XTRA pf1.94		9.7		31	20⅛	19⅞	20	+ ⅛
4⅛	2⅞	Zapata				249	2⅞	2⅞	2⅞	− ⅛
12⅞	6⅞	Zemex				10	7⅞	7⅞	7⅞	+ ⅛
21⅛	7⅞	ZenithE				1722	10⅞	10⅞	10	− ⅞
21½	14	ZenNS	.84	4.7	9	45	17⅛	17⅛	17⅛	+ ⅛
9⅞	6⅞	Zenix	.93	15.		360	6⅞	6⅞	6⅞	
18½	13	Zero s	.40	2.9	15	416	13⅞	13⅝	13⅞	+ ⅛
44⅛	27½	Zurnin	.76	1.8	19	340	42	41⅞	41½	− ⅛
12⅝	10½	Zweig	1.21e	10.		279	11⅞	11⅞	11⅞	
10	8⅛	ZweigTl	.96	10.		928	9½	9⅞	9⅞	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices April 4

NASDAQ NATIONAL MARKET

3pm prices April 4

FINANCIAL TIMES Thursday April 5 1990

AMERICA

Forthcoming first-quarter results hold Dow in check

Wall Street

A COMBINATION of profit-taking, another fall on the Tokyo stock market, unconfirmed rumours that a Japanese house may be in trouble and concern before a wave of quarterly earnings reports pushed US shares lower, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 17.34 points lower at 2,719.37 on moderate volume of 159m shares. The Dow had surged 36.26 points to close at 2,736.71 on Tuesday.

On the New York Stock Exchange, the Dow managed a moderate gain during the morning session of around 10 points on follow-through buying from Tuesday's sharp, broad-based rally. However, it could not sustain these levels and selling accelerated on fears that rumours of trouble at a Japanese firm would depress the Nikkei overnight.

A drop of 316.78 points in the Nikkei provided a less encouraging backdrop to the US equity market but the main consideration was domestic. Although there appears to be growing optimism that the Dow can beat the record high of 2,810.15 on January 2, there is also concern about first quarter earnings announcements which will dominate the headlines over the next two or three weeks. A more cautious attitude yesterday also reflected a desire not to trade aggressively in advance of tomorrow's March employment report and the meeting at the weekend of the Group of Seven industrialised nations.

Markets are keen to see what new initiatives, if any, emerge from the Group of Seven meeting which would help bolster the value of the yen and dampen down demand for dollars.

The dollar traded steadily but below the peak just above Y160 reached at the beginning of this week. In late New York trading, the US currency was quoted at Y158.95 as some dealers started taking profits in advance of the G7 meeting.

There was a renewed sense of optimism in the US equity market during the morning, based partly on its resilience over the past few weeks in the face of turmoil in the Tokyo market and its ability, in general, to rise in spite of negative news. The market has done well in spite of rising yields in the bond market, some warnings of lower earnings and a growing conviction that the US Federal Reserve is leaning towards higher interest rates.

Tuesday's rally was led by blue chip consumer stocks. At yesterday's close Philip Morris was $¼ lower at $40⅝, Coca-Cola was up $⅛ at $77¼ and Procter & Gamble was down $½ at $68½.

Bell operating companies were left little moved by a decision by a federal appeals court panel giving them a second chance to seek approval to enter the information services business.

NYNEX dipped $⅝ to $82, Pacific Telesis dipped $⅛ to $45¼ and BellSouth dipped $¼ to $54⅞.

Raychem slipped $¼ to $27⅝. The company said it would reduce its workforce by around 8 per cent in a reorganisation which will mean taking a charge of $75m to $90m in the first quarter.

Archer-Daniels-Midland slipped $⅛ to $23⅝. The company is a leading producer of ethanol, which could see much higher demand because of a special gasoline requirement attached to the Senate's clean-air bill.

Canada

A SESSION of moderate trading ended in Toronto with share prices mixed. The composite index shed 13.17 to 3,634.95 while advancing issues equalled declining ones at 307.

Volume of 28,716,000 shares worth C$331m was much heavier than Tuesday's 20,023,000 shares valued at C$231m.

Mining issues fell 1.14 per cent as Inco lost C$⅜ to C$30⅝, Alcan dropped C$⅜ to C$25⅛ and Noranda was down C$⅛ to C$21⅞.

Brazilian President singles out speculators

The market is trying to recover ground after its recent plunge, writes John Barham

DURING last year's election campaign in Brazil, Mr Fernando Collor de Mello promised that speculators would be singled out for special treatment by his administration. He was as good as his word.

The stock markets, which rode the crest of a speculative wave last year, showed the most immediate and extreme reaction to the new regime. From March 13 to 29, the dollar value of Brazilian stocks dropped by 67 per cent.

The Rio de Janeiro Exchange said that it faced closure. Daily trading volume crashed to an average $1m in the second half of March – a 20th of pre-Collor turnover. Brokerages were laying off up to half their staff.

In San Paulo, a recovery from 1.61 to 2.32 in the dollar-adjusted Bovespa Index over the past four trading days had only brought daily turnover up to $4m by Tuesday; and it left Brazilian equities standing at about 30 per cent of dollar adjusted book values, and on a multiple of only 3.2 times 1989's earnings, Mr Audley Twiston-Davies, chief executive of Latin American Securities, said in London last night.

On March 15, the day of his inauguration, President Collor announced a drastic attack on inflation. He blocked an estimated US$115bn in private financial assets, changed the currency, raised taxes and promised a heavy reduction in government spending. The measures brought the economy to a halt by cutting off its money supply abruptly.

Mr Francisco de Souza Dantas, president of the Rio de Janeiro Exchange, said: "Eighty per cent of the exchange's money has been blocked. Either the Government gives it back or the exchange will close in two months. It's as simple as that."

The Rio and Sao Paulo exchanges have imposed wage cuts of 5 per cent to 40 per cent in return for two months' guaranteed job stability. For good measure, Rio fired four highly paid board members.

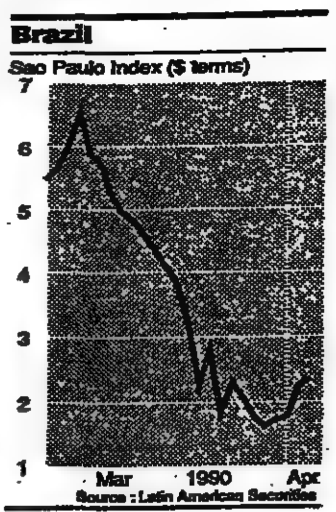
This is the second epic crisis to hit the Brazilian equity markets in less than a year. Last June, Mr Naji Robert Nahas, a leading speculator, brought the market to the verge of a financial meltdown when he was accused of failing to honour his debts; but business recovered quickly as investors bought shares as a hedge against impending hyperinflation, and the Ibovespa index doubled in dollar terms last year.

Mr Collor's measures have wiped the smiles from investors' faces. Many bought shares heavily on the eve of his inauguration because they expected that equity investments would not be heavily affected by austerity measures. Since then, investors desperate for cash have sold massively, in spite of crashing prices and heavier shareholding taxes.

The more optimistic analysts say that the March collapse was somewhat technical. Mr de Souza Dantas says: "There is liquidity from buyers, but no liquidity from sellers. They are waiting for prices to rise to their previous levels before selling. That is why turnover is so low."

Furthermore, Congress is reviewing the Collor package; it may lower the tax on shareholdings and inject more liquidity into the economy as a whole, softening the impact of the President's measures.

Brazil



Source : Latin American Securities

Still, the outlook for equities is not good. The critical shortage of money is asphyxiating the entire economy. Companies are having to sell their products at any price to generate cashflow, because 80 per cent of their liquid assets are blocked at the Central Bank.

They are having to borrow at real monthly interest rates of more than 20 per cent to keep operating. Many manufacturing companies are on short time. Interest rates are expected to remain inordinately high and the risk of insolvency will grow. Economists and businessmen say recession is inevitable.

Traders say the long-term outlook is less miserable. If Mr Collor succeeds in stabilising the economy, companies will become profitable again and investments will return. Furthermore, Mr Collor promises a privatisation programme of Thatcherite proportions. But he has also promised that financial institutions – brokerages included – will be forced to finance privatisation on the worst possible terms; and so far, what the President has promised, he has tried to deliver.

ASIA PACIFIC

Nikkei goes into retreat as nervousness re-emerges

Tokyo

AN EARLY rally was wiped out yesterday, as nervous investors sold on rumours that big speculators were facing financial difficulties, *writes Martina Gannon in Tokyo.*

The Nikkei average of 225 leading shares ended 316.78 lower at 28,442.94 as lack of confidence in the yen's recovery against the dollar, and the approach of the closing date for futures contracts, fuelled volatility in the market.

This followed a rise of more than 350 in brisk morning trading, as investors bought across the board in a follow-through of the previous day's recovery and the index made a day's high of 29,143.34. But the buying, mainly index-linked, petered out later as the rumours spread, and the Nikkei hit a day's low of 28,090.23 shortly before closing.

Declining issues led advances by 742 to 180 with 100 unchanged. Turnover slipped to 560m shares from 650m on Tuesday. The Topix index of all TSE first section stocks lost 35.15 to 2,075.96 and, in London, the ISE/Nikkei 50 index fell 18.68 to 1,608.38.

Analysts said that the afternoon round of selling was characterised by investors offloading shares of companies in which major speculators had invested. Companies associated with the Takayama Busan group weakened. Nichias, a ceramic construction material manufacturer, lost Y100, its daily limit, to Y790 and Tokai Carbon lost Y46 to Y640.

Other issues dominated by Takayama were so weak that they remained untraded; these included Silver Seiko, a knitting machine company, which was offered at Y546, compared with Monday's price of Y680.

Issues connected with Shuwa Corp, a leading speculator which invests heavily in real estate in the US, also suffered. There were no buyers for shares of the department store company, Isetan, offered at Y3,640. "Despite some bargain-hunting earlier on, it was a very nervous market today," said Mr John Courtney, sales manager at WI Carr.

Other losers included machineries, precision instruments, heavy electricals and high technology shares. Fuji Photo Film shed Y150 to Y3,880 and Konica lost Y200 to Y1,070.

In Osaka, stock prices opened higher, encouraged by the yen's firmness against the dollar. A slight rally was led by high-technology issues; electricals, machineries and constructions also drew buying. However, the OSE average closed lower at 29,619.50, down 392.92. Volume rose to 46m shares from Tuesday's 37m.

Roundup

MODEST GAINS in Australian bank shares contrasted with profit-taking in the Taiwanese banking sector yesterday. The region finished mixed on the day, and continued to be unsettled by Tokyo.

AUSTRALIA rose for the first time in eight sessions but the gains were half-hearted and turnover was low. Official cuts in interest rates, which triggered similar steps by large commercial banks, did little to inspire the market as the move had been expected, but the news helped bank shares. ANZ rose 6 cents to A$5.24, after losing 6 per cent of its share value this week following news of its merger with National Mutual Life Association.

An ever firmer Australian dollar kept foreign investors away and hampered natural resources stocks. The All Ordinaries index rose 11.4 to 1,516.8. Only 66m shares valued at A$128m were traded, down from 82m and A$157m.

TAIWAN saw heavy profit-taking in banks after big gains earlier this week, which dragged the whole market down. The weighted index fell 211.91 to 10,907.09, or 1.9 per cent, while the financial sector index fell 3 per cent.

BOMBAY reached an all-time high in heavy buying in anticipation of the release of good corporate results in the next two weeks. The index peaked at 811.13 before finishing at 805.86, up 22.89, breaking the previous high of 798.01 reached last July.

Bank stocks had been sought following the Government's announcement to sell its stake in three commercial banks, but investors now feared that the privatisation would drain the market of liquidity. Chang Hwa Commercial Bank lost NT$17 to NT$708, First Commercial Bank NT$21 to NT$738 and Hua Nan Commercial Bank NT$21 to NT$775.

SEOUL fell on political worries, with the composite index losing 7.65 to 828.98 in active volume of 16m shares worth 347bn won. Reports that the ruling Democratic Liberal Party had not done well in Tuesday's two by-elections undermined sentiment. New measures aimed at boosting the economy failed to bolster confidence.

HONG KONG ended mixed as trading slowed before the Chinese grave-sweeping holiday today. The Hang Seng index fell 1.57 to 2,960.88. News that Smith New Court, the London brokers, had placed the Government's remaining 3.4 per cent stake in Hong Kong Telecom with international investors at HK$5.05 a share was well-received by the market. HK Telecom shares fell 5 cents to HK$5.30.

EUROPE

Latin temperament gives bourses some lift

THE LATIN temperament, in bourses, seemed to do more for share prices than the hard currency group yesterday, *writes Our Markets Staff.*

PARIS kept up its momentum, the CAC 40 index rising to an all-time high of 2,014.01, before dipping back to close at 2,001.49, up 15.94. The previous record was 2,006.42, set on June 4. Turnover yesterday was estimated at a busy FFr4bn after Tuesday's FFr3.5bn.

The strength of the franc encouraged the market to believe that the French currency might have decoupled from the D-Mark. Investors were optimistic that France would not have to follow suit if West Germany were to raise interest rates. Yesterday the base lending rate was cut by 0.2 points to 10.8 per cent.

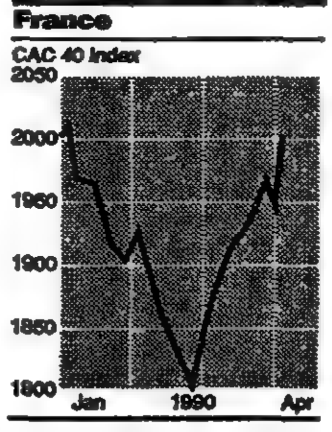
CGE was the most active stock, gaining FFr2 to FFr603 after slipping from its day's high of FFr619. A total of 753,100 shares were traded before the electrical engineering group announced profits of FFr4.9bn after the market closed, compared with analysts' estimates of FFr3.3bn to FFr3.7bn. CGE's subsidiaries, Générale Occidentale and Electro-Financière, were suspended yesterday with a statement expected after hours, after closing on Tuesday at FFr840 and FFr951 respectively.

Legrand rose FFr223 to FFr3,821 in spite of reporting disappointing results. This was due to an encouraging report by Insee, the economic statistics unit, on the capital goods sector, said one observer. The report also boosted Schneider by FFr54 to FFr1,030.

Guyenne Gascogne, the retailer, rose FFr47 to FFr1,118 after better-than-expected results, while Scoa, the distribution group, rebounded by FFr1.60 to FFr30.60 after falling FFr2.10 on Tuesday, following the appointment of a new chairman.

FRANKFURT hesitated in sight of the 2,000 level on the DAX index, with most of the big blue chips showing moderate declines, but this was balanced to a degree by a strong performance by carmakers.

France



The DAX closed 5.08 lower at 1,963.25 after a 2.36 dip to 828.56 in the FAZ at midsession. Daimler and Deutsche Bank shedding DM3 each to DM933 and DM812.50, Siemens off DM2.10 at DM798.50 and Thyssen DM2 lower at DM323. Chemicals were also down.

However, volume rose again, from DM9.2bn to DM10.5bn, and Volkswagen led the most-active lists in turnover of DM1bn, rising DM5.50 to DM619.50; after the official close, VW lifted its dividend from DM10 to DM11 a share. BMW and Porche improved too, BMW after the establishment of a new $1bn credit line.

Linde added DM20 to DM1,035 on its good 1989 results; Viag, the aluminium, energy and chemicals group, rose DM5.20 to DM444 on news that it wants to boost its 25 per cent stake in Gerresheimer Glas, which has risen DM52 since Friday to DM350.

MILAN was pulled up by persistent demand for stocks controlled by Mr Carlo de Benedetti. Olivetti jumped L150 to L6,949 after the company said it was in collaboration talks with Philips of the Netherlands. Cir, the holding company, was L82 higher at L5,242 as Mr de Benedetti appeared to strengthen his hand against Mr Silvio Berlusconi in the power play for the publisher Mondadori.

Montedison and Enimont fell after Prime Minister Giulio Andreotti said he supported the state energy agency ENI's decision to take Montedison to court over board nominations which effectively gave control of Enimont to Montedison. The Comit index rose 3.31 to 685.87.

AMSTERDAM was again disappointed by the insurers, this time by NatNed's 1989 results and its cautious outlook for 1990. The stock fell Fl 1.10 to Fl 73.80 while Amev dropped Fl 1 to Fl 57.20 and Aegon, due to report 1989 results on Friday, eased 20 cents to Fl 112.80.

The construction group, HBG, rose Fl 11 to Fl 197 on hopes that it will benefit from the opening up of eastern Europe. Pakhoed, the trading and storage combine, pleased the market with a 50.7 per cent rise in 1989 net profits and the stock ended Fl 6 higher at Fl 175. The CBS tendency index rose 0.7 to 116.4.

STOCKHOLM saw demand for Ericsson on rumours that it had won large orders from Mexico and Indonesia. The free B shares rose SKr11 to SKr331. Ericsson said that it was involved in tenders in these countries but that it was still not clear whether the deals would come its way.

Astra, the pharmaceutical, was the most traded stock, rising SKr7 to SKr400. The Affärsvärlden General index added 4.5 to 1,138.0.

OSLO suspended Christiania Bank og Kreditkasse and Soerlandsbanken before a merger announcement. The bank index was down 1.10 to 182.39 while the all-share index inched up 0.43 to 622.86.

ZURICH closed quietly steady, with the Crédit Suisse index 1.0 lower at 587.4. Helvetia, the insurance company, offered to exchange half its 78,000 PCs into registered shares. Helvetia PCs closed SFr90 up at SFr2,690 after peaking at SFr2,800.

SOUTH AFRICA

JOHANNESBURG shares closed lower in dull trading as the financial rand continued to firm and on uncertainty about the outlook for the gold price.

Vaal Reefs fell R7 to 374 while Southvaal dropped R3 to R167. In diamonds, De Beers shed R1 to R83.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY APRIL 4 1990						TUESDAY APRIL 3 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (81)	136.56	+1.7	123.31	118.31	+0.9	5.61	134.22	121.67	117.26	158.31	133.38	128.69
Austria (19)	280.75	+0.0	253.49	247.68	−0.1	1.07	280.86	254.60	247.98	285.83	193.15	116.04
Belgium (61)	146.52	+0.0	132.29	127.01	+0.2	4.43	146.46	132.77	126.76	160.02	132.11	132.87
Canada (120)	140.78	−0.6	127.11	119.02	−0.4	3.39	141.56	128.34	119.54	153.61	137.42	134.05
Denmark (36)	248.58	−1.6	224.45	219.51	−1.6	1.47	252.69	229.06	223.13	260.82	236.69	172.46
Finland (26)	135.70	−0.7	122.53	114.06	−0.9	2.63	136.70	123.92	115.14	152.29	130.39	152.86
France (125)	156.22	+0.9	141.05	139.99	+0.9	2.75	154.86	140.40	138.79	157.97	141.69	118.82
West Germany (94)	136.46	−0.1	123.21	120.64	−0.1	1.77	136.57	123.80	120.74	137.71	122.05	85.31
Hong Kong (48)	122.62	+0.2	110.71	122.81	+0.2	5.05	122.41	110.97	122.61	124.24	112.24	126.46
Ireland (17)	185.06	−0.2	167.09	165.19	−0.3	2.60	185.39	168.05	165.64	199.57	181.49	145.34
Italy (96)	97.72	+0.4	88.23	91.23	+0.5	2.54	97.32	88.22	90.78	102.11	91.85	81.85
Japan (454)	127.11	−0.7	114.77	127.39	−1.0	0.65	128.07	116.09	128.72	197.26	124.40	192.33
Malaysia (35)	219.92	−0.5	198.57	231.23	−0.6	2.33	221.08	200.41	232.57	245.32	219.92	163.78
Mexico (13)	382.27	+0.0	345.16	1164.00	+0.0	0.45	382.27	346.53	1164.00	409.41	324.63	167.93
Netherland (43)	139.42	+0.2	125.88	121.79	+0.2	4.61	139.15	126.14	121.59	145.66	130.43	118.41
New Zealand (17)	61.35	+1.0	55.39	56.26	+0.9	7.80	60.76	55.08	55.74	75.96	60.31	68.37
Norway (26)	235.48	+0.9	212.62	209.75	+0.7	1.59	233.42	211.59	208.39	245.90	202.34	177.94
Singapore (26)	189.59	+0.1	171.18	164.17	−0.1	1.73	189.33	171.63	164.29	199.38	179.70	145.84
South Africa (60)	181.02	−1.2	163.44	161.17	−1.0	3.67	183.18	166.05	162.76	251.39	180.87	140.30
Spain (43)	135.65	+1.0	122.48	111.04	+0.5	4.81	134.35	121.79	110.48	165.16	132.84	152.75
Sweden (35)	176.86	+0.9	159.69	160.49	+0.8	2.45	175.25	158.86	159.16	206.95	173.89	161.89
Switzerland (64)	90.09	+0.0	81.35	84.12	+0.2	2.32	90.14	81.71	83.93	99.12	86.75	75.85
United Kingdom (306)	148.86	+0.0	134.41	134.41	−0.4	4.90	148.82	134.90	134.90	164.31	144.69	147.09
USA (537)	137.64	−0.7	124.55	137.64	−0.7	3.49	138.94	125.95	138.94	145.40	130.61	120.63
Europe (991)	139.86	+0.2	126.30	124.64	+0.0	3.54	139.64	126.58	124.61	146.66	135.57	119.43
Nordic (123)	186.13	−0.2	168.06	160.09	−0.3	1.95	186.52	169.08	160.54	201.89	185.01	153.48
Pacific Basin (661)	127.30	−0.6	114.94	126.81	−0.9	1.00	128.09	116.12	127.97	192.75	124.63	187.01
Euro – Pacific (1652)	132.74	−0.3	119.85	126.77	−0.5	2.09	133.11	120.66	127.42	174.18	130.55	159.98
North America (667)	138.01	−0.7	124.61	136.72	−0.7	3.48	139.00	126.00	137.58	145.78	131.02	121.33
Europe Ex. UK (685)	132.65	+0.3	119.77	118.22	+0.3	2.71	132.31	119.94	117.91	135.73	124.81	102.22
Pacific Ex. Japan (207)	128.95	+1.0	116.43	116.55	+0.5	5.16	127.71	115.77	115.98	139.32	126.76	123.48
World Ex. US (1845)	133.62	−0.3	120.65	127.20	−0.5	2.15	134.02	121.49	127.85	173.77	131.30	158.89
World Ex. UK (2076)	132.63	−0.5	119.75	130.30	−0.6	2.38	133.30	120.84	131.10	162.00	130.80	143.81
World Ex. So. Af. (2322)	133.78	−0.4	120.79	130.44	−0.6	2.62	134.38	121.81	131.21	161.84	131.96	144.12
World Ex. Japan (1928)	139.03	−0.3	125.54	132.33	−0.4	3.57	139.46	126.42	132.63	145.52	135.25	120.94
The World Index (2382)	134.06	−0.5	121.05	130.66	−0.6	2.63	134.67	122.08	131.43	162.05	132.25	144.09

Constituent change 4/4/90: Insertion: Jacobs Suchard (Reg.)(Switzerland).

SECTION III

FINANCIAL TIMES SURVEY

Bold plans for a truly pan-European transport system are being slowed down through differing national interests. Faster progress must be made by the European Community in solving complex regulatory issues, says Kevin Brown, Transport Correspondent

A need for speed

IT IS hard not to be impressed by the enthusiasm of the engineers, bureaucrats and politicians who are planning the transport infrastructure of the New Europe.

Everywhere you hear the same story: the projects now being planned or constructed will transform communications within the continent, providing a physical counterpart to the completion of the Single European Market, due in 1992.

But although great strides have been made, most of the projects which are creating so much excitement are still on the drawing board. And doubts remain about the ability of the European Community to deliver many of the regulatory changes which will be essential if a truly pan-European transport industry is to emerge.

The man in charge of developing and co-ordinating transport policy is Mr Karel Van Miert, the Belgian socialist who had the good fortune to take over as European Transport Commissioner just when attitudes in the national capitals were beginning to change.

Up to that time, the development of the Community's transport policy had been something of a farce, in spite of strong pressure for change by previous Commissioners. According to the Treaty of Rome, a Common Transport Policy should have been introduced as long ago as 1970.

But no Commissioner was ever able to find a way through the minefield of differing national interests which militated against the development of a common policy.

France, for example, feared the impact of deregulation on its protected domestic road haulage industry, while West Germany feared for the competitiveness of both road haulage and its heavily protected railway system.

The log jam began to break up as early as 1985, when the European Court ruled that the failure of national governments to develop a common transport policy was a breach of the treaty. But it is only in the last two years that solid progress has been made on the tricky regulatory issues governing freedom of movement and competition.

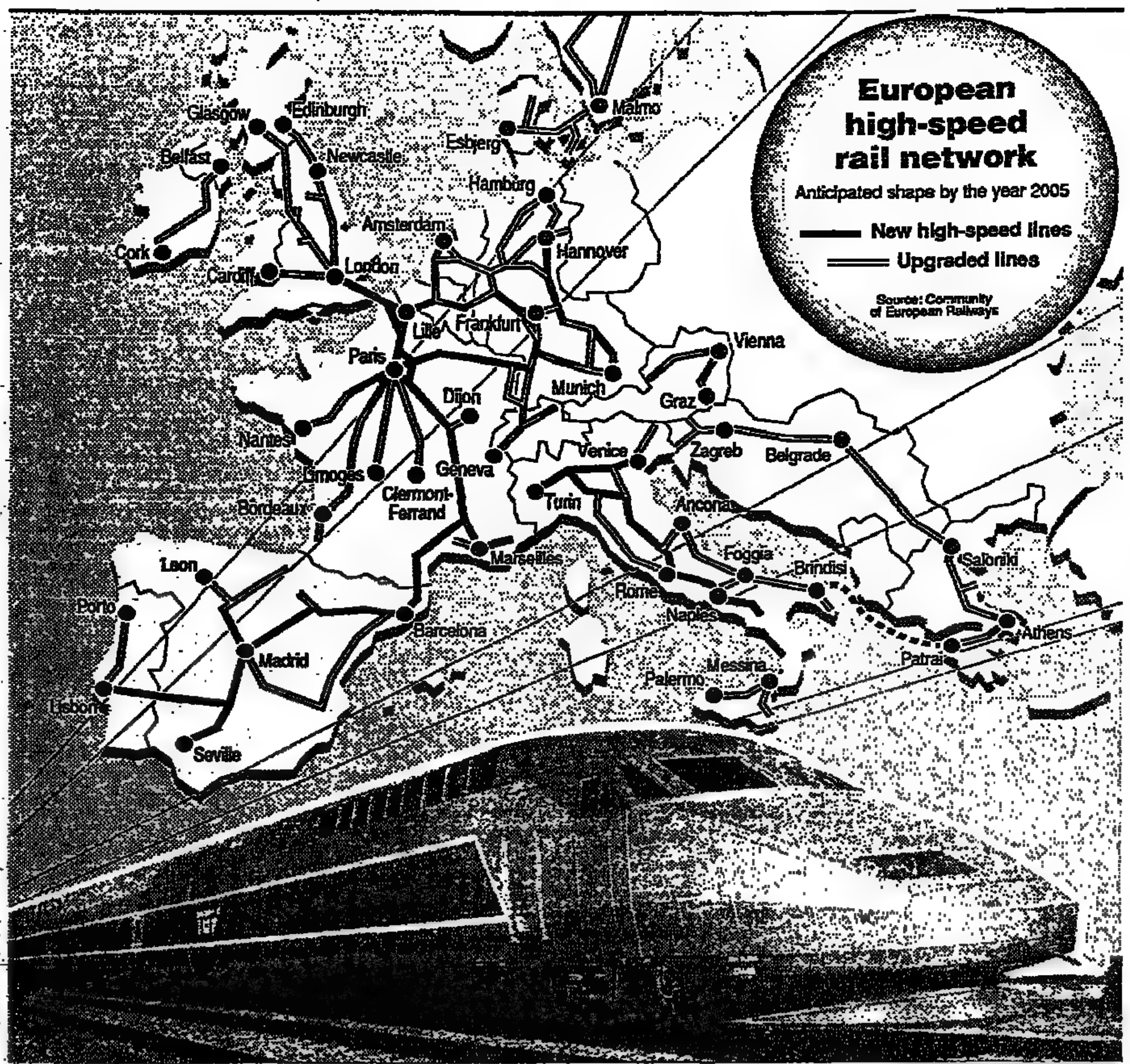
The breakthrough came during the French presidency of the *EC Council of Ministers*, in the second half of last year, when agreement was suddenly reached on an experimental cabotage scheme for opening up road haulage to outside competition, and on deregulation of airline operations by 1993. The agreement has clearly bolstered the determination of DG7, the Commission's Transport directorate, to *push ahead with a host of* other initiatives, such as the harmonisation of railway administrations, as part of the process of creating a single transport regime throughout the Community.

Mr Van Miert, who will spell out some of his ideas in a keynote speech at the Eurofreight exhibition and conference in Brussels from April 9-11, *speaks in almost visionary* tones about the potential impact of a common transport policy: "The evolution of the Single European Market is irreversible. The point of no return is long gone," he says.

"Before the end of the century, the world's largest trading block will be in place and able to compete successfully with the established strength of the US and the commercial might of Japan and other Far Eastern countries," he says.

"Development of the EC's transport policy is designed to provide the necessary framework within which its transport industry can thrive."

Mr Van Miert says there is no lack of opportunity for the industry, which will be provided by the Single European market with "a golden opportunity to take advantage of the economies of scale offered by the abolition of frontier controls and the removal of restrictions on the movement of people, goods, capital and services within Europe."



The new French high speed train, the Atlantic TGV. *Graphics by Bob Hutchison*

Transport links with the Continent

IN THIS SURVEY

☐ Progress on the Channel Tunnel ....page 2
☐ Freight and trucking services....................page 3
☐ Ferries; high-speed trains; airline routes; impact of the tunnel on the south of England....................page 4
☐ Scotland and the north of England; links with Ireland..page 6

Editorial production by Michael Wiltshire

FORTHCOMING SURVEYS

A number of transport and travel – related surveys will be published in the FT this year. They include:

☐ International Courier and Express Services, *(June).*
☐ World Railway and Rapid Transit Systems, *(September).*
☐ Distribution Services, *(October).*
☐ Business Travel, *(November).*
☐ UK Ports, *(November).*

☐ *Editorial synopses for the above surveys can be obtained from: The Financial Times, Number One, Southwark Bridge, London, SE1 9HL. Telephone. 01.873.3337, (direct line to Helen Martin who also has publication dates of back issues of surveys on various topics).*

The Commission is aware, however, that there will have to be a big improvement in much of the existing transport network, especially if the benefits of the single market are to spread from the heartland of the Community to the poorer member states on the periphery of Europe – the UK and Ireland to the north-west, Spain and Portugal to the south-west, and Greece in the south-east.

This is an area of policy that the Commission, with its pan-European role, sees as its special responsibility, and Mr Stanley Clinton Davis, the previous Transport Commissioner, made no bones about his disappointment that the Community had been excluded from the planning process which led to the Channel Tunnel project.

The tunnel, now back on course after six months of financial crises, is the biggest single infrastructure project currently under way in the Community – yet it was planned and financed solely as a bilateral Anglo-French initiative.

Almost as if to make up for missing out on the Chunnel, the Commission has since involved itself in a whole raft of major projects which, if completed, would close almost all the so-called "missing links" in the Community's road and rail infrastructure.

These include Scanlink, which would provide a surface route between Sweden, Denmark and Germany; Alpine rail passes linking northern Italy to the main central European rail system in Switzerland and Austria; and similar rail routes through the Pyrenees to improve Franco-Spanish links.

In addition, the Community is helping Yugoslavia to improve the trunk road which links Italy and Greece, and is drawing up plans to promote new road links between the Community and Eastern Europe.

It is also being made clear in Brussels that the Commission would like Community money to be made available to help improve rail links, and in particular to help finance the railways' own ambitious plans for a Community-wide network of high speed trains.

However, not much of this extensive programme has got beyond the planning stage. Those parts which have, such as new high speed railway routes in France and Germany, have done so because of the requirements of domestic transport policy and are not part of a coherent European plan, although they may eventually form part of an international system.

Even some projects which have got beyond the planning stage are running into trouble when finance has to be raised. British Rail's proposals for a high speed rail line from London to the Channel have twice almost collapsed because of funding problems, in spite of the clear advantage of linking the UK to the main Continental rail system.

The Channel Tunnel, now back on course after six months of financial crises, is the biggest single infrastructure project currently under way in the European Community

It is also unclear how much progress the Commission will be able to make with some of its regulatory proposals, particularly those affecting aviation, shipping and railways.

The Council of Ministers has given a firm political commitment to sweep away most of the anti-competitive restrictions on the protected airline business by January 1993. However, the deal was reached in the form of non-binding conclusions of the Council which have no legal force.

Continued on next page

Troubled progress on the Channel Tunnel

Battle over costs

THE DUST IS only now beginning to settle after almost six months of bitter rows and brinkmanship between Eurotunnel – the company that has the concession to build and operate the Channel Tunnel – its bankers and the contractor, Transmanche Link.

At the heart of the matter is money. Critics say the cost of the project is in danger of ballooning out of control. The question is, who is to foot the bill?

In 1987, Eurotunnel estimated the Channel Tunnel would cost £4.9bn to build. Today, that figure is put at £7.2bn – £8bn.

After the rows and acrimony of February, is the Channel Tunnel to be built? And what are the long-term effects of the rising costs?

The story began last July when it emerged that Eurotunnel's £6bn funding package of loans and equity would be insufficient to complete the job.

At that time, Eurotunnel estimated the final cost of the project to be £7bn and put much of the blame for the increase on the contractors.

But TML retorted that costs had risen because of changes Eurotunnel had made in the project's specifications, and gave the final cost as nearer £7.5bn.

The difference was mostly accounted for by a claim for £380m made by TML against Eurotunnel for changes in the construction of the terminals and the mechanical and electrical works for the tunnels.

Under its agreement with the lending banks, Eurotunnel has to have enough money in place at all times for it to complete the project. With only £6bn available it was clearly in default of that agreement.

In October, the banks froze Eurotunnel's credit facilities and set a deadline of January 1990 for a new agreement on costs to be reached with TML which the banks could sanction. The negotiations reached a climax in the first week in January, and despite the hostility an agreement was made on the eighth, though later than the banks had wished.

One of the contractors said it increased both TML's risks and rewards through bonuses if it opened the tunnel on time, June 15, 1993.

In return, the contractor had won a promise of changes to Eurotunnel's management system, which it regarded as inefficient and duplicating much of its own work.

The contractors said this involved removing Alastair Morton, previously Eurotunnel co-chairman, from such the close rtight control of contracting matters – although Mr Morton always denied he was so closely involved. Despite the hostility between him and the contractors, the detailed and complex talks focussed on the nature of the construction contract.

The contract has three cost categories: target costs, covering the tunnelling; lump sum costs for the terminal's construction and the mechanical and electrical works for the tunnel; and the procurement costs, which cover rolling stock and other major pieces of equipment. The discussions had concentrated on rising tunnelling costs, in part because the ground on the British side was wetter than expected.

Under the old contract, Eurotunnel had to pay roughly the first £1.3bn of the tunnelling costs; TML, 30%; and Eurotunnel the rest. TML's contribution was capped at a maximum of 6% of the total.

In the new agreement, Eurotunnel will pay the first £1.58bn and TML 30% of all above that figure.

The contractor agreed to reduce procurement costs – Eurotunnel paid the bill plus a handling percentage – after they had risen sharply.

However, there was no agreement on the lump sum part of the contract on the amounts to be paid to TML, including that paid by the contractor for any losses incurred.

Report by
GRAHAM ANDERSON

It is here that TML is claiming extra payments of £380m from Eurotunnel, for the cost of changing design and specification, ordered by the client.

The amount is still outstanding, but it was agreed to settle differences through the arbitration procedures laid out in the contract. Although the deal was incomplete, the banks released sufficient funds – £390m – to keep the project going until May, meantime leaving final details to be sorted out.

But all was not as it seemed: within weeks of the January accord, the project was again on the brink of disaster.

The contractor, TML, discovered that Alastair Morton – had been moved to the not-too-distant position of deputy chairman and chief executive, and so, was still in the construction process.

The contractors refused to sign the deal; the banks refused further funds; Eurotunnel could not pay TML; and TML took Eurotunnel to court in France. Bankruptcy, it seemed, was staring Eurotunnel in the face.

This time disaster was averted at the eleventh hour by the bank of England's intervention. Despite levels of infighting and backbiting of which a television soap opera scriptwriter might have been proud, an agreement was signed on February 22.

The deadlock was broken when Eurotunnel agreed to bring in John Neerhout, an executive vice-president from the giant American contractor Bechtel, as project chief executive. An uneasy truce now exists between the Eurotunnel and its contractors and banks. But funds available can still only keep construction work going until May. Talks are now continuing between Eurotunnel and its banks on how to raise the £3bn extra funding needed.

So where does this leave the project? Charles Williams, an investment analyst with James Capel, is cautious about its prospects. He said it will be "up and running by 1993," but it will be close, and that the fitting out operation will be a very complex operation

He added that although costs had risen, so had traffic forecasts, reflecting a higher growth rate in the UK economy over the last three years than expected – "the worst shocks on costs are past. I would not be worried if I was a banker because there will be enough traffic around for me to get my money back. In any case, the banks are going to be so committed that it will not be in their interest for the project to go under. The question is what is going to be left for the equity holders at the end of the day."

Richard Hannah, a leading Eurotunnel analyst with UBS Phillips and Drew, argues that the Channel Tunnel will be completed – there is too much capital, both political and financial, invested in it for it not to be – "the chances of construction going over budget in a big way are fairly small. The final costs might be £8bn. But they should not be £10bn," he says.

But that does not mean there will not be more crises, rows and brinkmanship yet.

Details of new loan agreements and a new equity placing still have to be agreed between Europtunnel and the banks.

The banks are meeting regularly to decide the terms and size of the new loans. Details had not been revealed as this article was being written.

Eurotunnel sources have been suggesting that the project will need an extra £2bn on top of the £6bn agreement it already has in place.

This would include some £500m in equity and if Eurotunnel's £7.2bn estimate for the finalcost of the project is accepted, would allow for a contingency fund of £800m.

The possibility of more cost cutting is also apparently on the cards to remove some of the gold plating, as one of Eurotunnel's bankers recently described it.

Ironically, the disputes have been taking place at the same time as the construction work – and the tunnelling rates in particular – has picked up speed dramatically.

If the miners keep up the current pace and assuming a new loan agreement is sucessfully signed next month, breakthrough on all the tunnels could happen ahead of schedule – earning the contractors a healthy bonus.

The tunnel contractor

Bold decisions pay off

IF THE MAIN drives of the Channel Tunnel are completed on time – and judging by progress in recent weeks, it seems increasingly likely that they will be – a decision made by the contractor, Transmanche Link, late last summer will be seen as crucial to the scheme's success.

The outlook then was rather gloomy. The client, Eurotunnel, was squaring up for a battle with the contractor over the cost of the project; water was pouring into the tunnels on the UK side, making life a misery for the miners; and tunnelling progress was not good.

Under pressure from all sides, TML – a consortium of ten top contractors, five British, five French – knew tunnel boring had to improve quickly.

On the UK side, two 7.6m diameter bores for the main running tunnels – which will eventually carry the trains – were struggling out under the sea from the Kent coast through the same wet ground that had held up the central service tunnel drive, more than a year earlier.

Fissured chalk was allowing water to pour into the workings, delaying operations to the extent that tunnelling progress peaked at about 50m a week, a quarter of the rate required to meet the tight programme schedule.

From its experience with the 4.8m diameter service tunnel, TML knew that the ground would improve around 3.75km from the British coast.

That was little comfort to the teams working on machines more than 2km short of that point.

TML managers were faced with a classic dilemma. Should they stop the machines to make vital but time-consuming modifications which would allow the machines to move more freely through the wet ground – or should they be allowed to limp on to the good chalk ahead?

It was a tough decision to make, but they decided to carry out the modifications. So, with the two crucial undersea running tunnels already several weeks behind schedule, they were virtually shut down for three weeks more.

Report by
BEN ROSKROW

That brave decision paid off handsomely for the contractor. Since the work was carried out last September, the tunnel-boring machines have regularly driven around 150m a week, as much as four or five times more than they were doing before the stoppage. In March, one machine drove 278m in a week on its own.

With the French machines consistently hitting their targets and the service tunnel on schedule for breakthrough in December this year, the mood on site is upbeat. The gamble paid off.

"It was a big decision by the contractor to modify the machines," said Eurotunnel's technical director, Colin Kirkland. "The service tunnels had hit problems more than a year earlier so the two main tunnelling machines had been modified before launching. TML hoped that these first modifications would work on their own; but they soon found out that water was coming into the works and progress was slow."

The three-week shut down was used to adapt the front section of the 1km long machines so that grout – a water and cement mix – could be injected behind the concrete tunnel linings earlier in the construction process. This technique stops the water that is held in the chalk from pouring through the segments into the new tunnel.

TML also decided to try to and stop as much water as possible from coming through the chalk by injecting grout into the ground ahead of both main tunnel drives through holes drilled from the service tunnel.

These modifications have been costly for TML, but improved progress will make that investment well worthwhile. Eurotunnel chief executive Alastair Morton last month praised TML's progress and described it as the best method of cost containment.

On present rates, there seems no reason why the tunnels should not be finished on time or possibly, dare it be said, ahead of schedule.

The service tunnel – which is ahead of the others – has been progressing well for several months and that is a good indicator that the larger diameter running tunnels coming along behind should not hit any unexpected bad ground.

"On the UK side we do not expect any more problems," said Mr Kirkland, who is "almost optimistic" about progress at the moment.

The London rail link with the Channel Tunnel

Hot political issue

THE PROPOSED high speed rail link from London to the Channel Tunnel has turned into a political hot potato, and it is currently burning fingers at the Department of Transport in Marsham Street.

There, ministers and civil servants are mulling proposals for a high speed route and trying to square the circle by ensuring that Britain is plugged into the emerging high speed rail network in Europe without widescale political revolt by property owners along the line of the route – and all without costing the taxpayer a fortune.

The proposal in front of the Government comes from Eurorail, a joint venture formed by British Rail, Trafalgar House and BICC, the construction group.

Two other purely private sector schemes have been put forward by Ove Arup and Manufacturers Hanover, but the Government's current line is that all proposals have to be processed through BR, and so the private sector proposals will not be assessed in Marsham Street unless the Eurorail project falls through.

BR's plans for a high speed line to London have a less-than-happy history. Two years ago, after accepting that there would be a need towards the end of the century for a new line to feed rail traffic into the Channel Tunnel, BR shot itself in the foot by publishing details of four different corridors through Kent which it was examining - thus managing to alienate the whole county in one fell swoop.

In the face of the ballyhoo, measures were announced to reduce the environmental impact along the preferred route. A speed limit of 140mph was set in an attempt to limit noise and assuage Kent, while in London it was proposed to put the whole line underground in tunnels from Swanley on the outskirts of London to the terminals at Waterloo and King's Cross.

This was in spite of the fact that the subsoil of south-east London is notoriously difficult tunnelling terrain, which deterred the Edwardian tube railway builders and has defeated present-day tunnellers – indeed, a water authority tunnelling-machine was recently lost without trace in the treacherous gravels.

The additional environmental measures pushed up the cost of the high speed route, raising the total bill to over £3bn and making the chances of earning a commercial return on the project look increasingly remote.

With the political potato warming up by the day, BR announced last autumn that it would not be seeking a Parliamentary private bill for the high speed route until November 1990.

This imposed a delay of a year on the start of the project and only added to the uncertainties facing residents of southeast London and Kent.

The revised project, which is now under scrutiny at the Transport Department, has been amended to take account of the difficulties facing the earlier proposals.

Report by
JAMES ABBOTT

The amount of tunnelling has been reduced, partly because Eurorail found that property owners were as reluctant to have their houses tunnelled under as they were to have a new line built next door.

Thus, the new line stitches together a collection of old marshalling yards and other railway rights of way with some bits of new tunnel to reach Swanley from the London termini.

A fundamental change to the proposal is an expansion in the use of the new route by commuter trains. The original proposal envisaged a limited number of Network SouthEast trains racing between Ashford and London, but now a much wider area looks set to benefit.

This achieves two results. First, it should lessen opposition in Kent as residents now have the prospect of benefitting from the new line as well as suffering the intrusion of it.

Second, it gives the Government an out for putting public money into the project. Under the Channel Tunnel enabling legislation, the Government is forbidden to put money into a new line for Continental trains, but there is nothing to prevent subsidy of commuter trains – and the more Network SouthEast trains that use the new route, the more politically palatable such a course would be.

If the Government should decide to take this bait, it would remain to be seen to what extent Trafalgar House and BICC, who had originally hoped both to build and operate the line with BR, would wish to remain associated with what would then be a largely public sector project. With its free market leanings, the Government would much prefer the new route to be self-financing, which the Ove Arup and Manufacturers Hanover proposals claim to be.

However, these proposals are not without their own difficulties. Both private sector routes cross the Thames further out than the Eurorail line and converge on Stratford in east London.

Although it was hoped that using a less-environmentally sensitive corridor would ease the project's problems, the residents of south Essex are proving just as vociferous as their counterparts in Kent.

With opposition from residents a problem, whichever line is chosen, it is looking increasingly unlikely that the private bill procedure for authorising a new line would survive the rigours of Parliamentary opposition – and thus the Government may be forced to throw its weight behind one of the schemes with a hybrid bill. At the same time, the economics of the project make it look as if some taxpayers' money will be required.

It could be that if Mrs Thatcher wants the Channel Tunnel to be a monument to her years in office, and if she wants a link to London of which she can also be proud, she may have to budge from her adherence to free market principles.

The need for speed

Continued from previous page

The details have been left for the current Irish presidency of the Council to sort out – and there is no guarantee that Dublin will be able to find a way through the complex problems which remain in time to present a second package of proposals on time in June.

For example, the package will have to include maximum incentives for additional airlines to enter the market, in order to stimulate genuine competition; there will have to be good progress towards multiple designation of routes, to break up the existing duopolies between most national capitals; and there will have to be provision for full "fifth freedom" rights – allowing airlines to disembark and pick up passengers at intermediate airports en route to their final destination.

Karel Van Miert, Transport Commissioner: his emerging policy has the support of most opinion-formers in Continental Europe, where a high level of planning and taxpayer financing of public transport has long been accepted.

All this might no be so difficult if it was not clear that there is a difference of view within the Commission about how the European airline industry should develop.

For example, Mr Van Miert and his advisers appear to favour approval for two controversial deals in progress at the moment – the Air France takeover of the domestic French airline Air Inter, and a deal between KLM of The Netherlands, Sabena of Belgium and British Airways to generate joint services out of Brussels.

The Transport directorate appears to favour these mergers because it perceives a need to develop strong European carriers in advance of deregulation in order to ensure that the market is not dominated by US and Asian airlines.

However, Sir Leon Brittan, the Competition Commissioner, is thought to take a different view of the effects of these mergers on competition within the European market and both are being investigated by Sir Leon's officials.

Even without this complication, strong protectionist forces still exist, notably in Denmark, Greece and Portugal, where there are fears about the fate of the national airlines in a deregulated environment.

None of these problems are likely to prevent the eventual adoption of some form of liberalisation, but they may well succeed in watering it down and delaying its eventual implementation. Mr Van Miert has made even less progress with his proposals for shipping, which revolve around the adoption of cabotage rights (freedom for shipowners based in one country to enter the coastal trade of another) throughout the Community; together with a permissive regime for aids to shipowners, linked to participation in a European register known as Euros.

Opposition to cabotage rights remains strong in the Mediterranean countries which see a vital national interest at stake. And shipowners have largely rejected the Euros idea as a bureaucratic means of protecting seafarers' jobs by raising their costs.

Mr Van Miert's railways proposals are less well-developed, but revolve around stimulating more cross border traffic through joint ventures. There would also be some harmonisation of railway accounting methods and "transparency" of subsidies so that relative efficiency could be more easily measured. These proposals have had a lukewarm welcome from some of the Continental railway authorities, which see a potential threat to their privileged financing regimes.

Nonetheless, the general thrust of Mr Van Miert's emerging policy has the support of most opinion-formers in Continental Europe. As the policy takes on firmer shape, however, critical voices are beginning to make themselves heard in the UK, where the tradition of market-led transport services is much stronger.

One such critic is Prof. John Hibbs, of the City of Birmingham Polytechnic, who describes the ideas coming out of Brussels as "an anti-market virus" threatening freedom of choice in the UK.

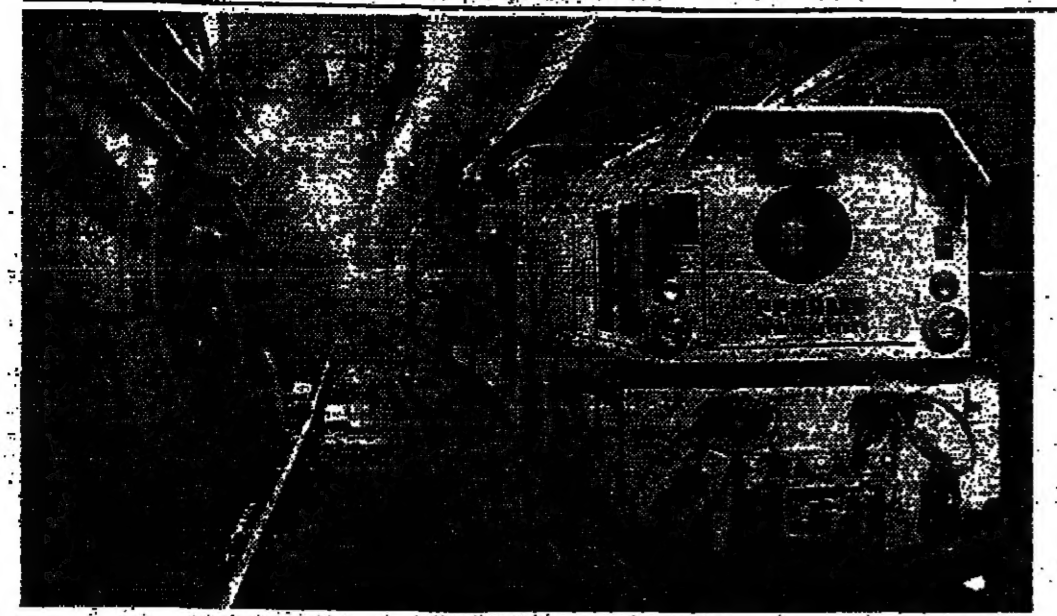
Professor Hibbs, who sets out his views fully in the current issue of European Freedom Review, the free market journal of the International Freedom Foundation, says the use of heavily subsidised public transport as an organ of planning "is a philosophy that has little room for extending liberty of choice, or of allowing new initiative or external capital to identify and seek to satisfy effective demand that the authorities have ignored." There is little sign, he says, that the implications of a single market for transport have been seriously analysed.

The bus and coach industry in the UK, for example, is fully deregulated, and the market is open to any company from, say, France which wishes to operate in the UK: "There are probably a number of French firms well able to move in like that – and so much the better.

However, there is no indication so far that national systems of control of the bus industry elsewhere in the Community are to be amended to provide equal freedom of access," he says.

The unglamourous British bus and coach industry may seem a long way from the dream of a transport network for a newly united Continent, but it does have wider relevance: why, for example, is there no network of Intercity coaches competing with the highly subsidised and heavily protected West German railways?

Questions like this are likely to be pressed on the Commission with increasing urgency in the coming months. Unless answers are found, and unless rapid progress can be made on the various regulatory issues, all the grandiose infrastructure schemes in the world will fail to achieve the goal of a truly Europe-wide transport market.



A locomotive in the seaward service tunnel; centre, the front of a boring machine in the French inland service tunnel; right, excavation work at Folkstone

Questions on the Channel Tunnel's capacity

Puzzle over railfreight

POTENTIAL freight transport industry users of the Channel Tunnel claim that continuing uncertainty over the size and nature of the railfreight capacity likely to be offered once the link actually opens is seriously hampering their development plans in that area.

Although British Rail's freight arm, Railfreight Distribution, has this year produced additional information on the projected capacity, many of the freight companies interested in using tunnel train operations say they still do not have sufficient details to be able to confirm their own future investment in new tunnel-related equipment, facilities and services.

The issue was highlighted at the recent London International Freight Forum when Mr Ralph Sheridan, UK general manager for rail wagon operator Transfesa, attacked Channel Tunnel and rail authorities on that point.

He said it was now highly unlikely that the freight industry would reach the level of readiness expected by its customers at the time the first trains started to run through the Tunnel.

"The foremost problem that we as operators face is lack of information; a lack of information which has prevented us from making concrete plans," he said.

"Capacity seems to be one subject surrounded by secrecy or uncertainty. We have had to wait too long to be told how many freight trains will operate per day through the tunnel and, even now, the figures might be revised downwards. How much capacity can we, Transfesa, expect per day for our intermodal traffic — 10 TEUs (20ft equivalent units), 20 TEUs, 30 TEUs? We still have no idea."

Mr Sheridan said that according to figures which he had seen, there would be 54 freight trains per day, each conveying a maximum of 1,000 tonnes. However, these would not all be intermodal trains. There would be large volume bulk traffic and train services dedicated to larger organisations such as motor manufacturers. So how many intermodal trains would there be?

In fact, according to Mr Philip O'Donnell, director European strategy for Railfreight Distribution, the tunnel will initially handle 30-35 trains a day. They will be up to 750 metres in length, run at speeds of up to 75 mph, carry payloads of up to 1,000 tonnes and handle a projected annual freight total of just over 6m tonnes. Two types of freight train will be operated — shuttle units to cater for accompanied freight, trailers, and classic rail mode operations to carry containers and that type of traffic.

"Traditionally, railfreight has concentrated on bulk or wagon load business. With the advent of the Channel Tunnel we see a change of emphasis, with increased movement by rail of manufactured goods. In that context, we should therefore concentrate on block train loads", he said.

However, rail service users claim much more work still needs to be done to encourage consolidation of goods for train loads. That point was highlighted in a report published towards the end of 1989 by FIATA (International Federation of Freight Forwarders) under the heading Transport Chains and their Impact on the Various Transport Sectors.

The report was particularly concerned over how European rail operations would cope with further increases in demand for smaller and more frequent shipments requiring reliable delivery.

REPORT BY PHILLIP HASTINGS

The question of consolidation of goods, it continued, was of prime importance. If rail was unable to adapt to those demands, then the inherent structural disadvantages of that mode would have an event greater negative impact.

"The use of swap-bodies, containers and block trains should be encouraged in order to avoid delays in marshalling. When marshalling cannot be avoided, such operations should be concentrated in a limited number of yards," added the report.

As far as the general development of UK/Continent railfreight operations are concerned, Mr O'Donnell believes rail will have to work much more closely with road hauliers, as already happens in the Continental European intermodal transport market.

In that context, Railfreight Distribution is currently working with road hauliers and leading European road/rail intermodal specialists to set up a new UK company specialising in combined transport operations.

Formation of the company is due to be finalised by early summer and once established, the new organisation is expected to apply for affiliation to the UIRR (International Union of Combined Road-Rail Transport Companies) which already includes nine European combined transport operators.

According to the Community of European Railways, which represents the dozen rail authorities of the European Community plus those of the neighbouring transit countries of Switzerland and Austria, development of European international combined road/rail transport operations is to be focussed on some 30 major corridors or axis.

In the case of the UK, for example, the planned major axis will run from Glasgow down through Crewe, London and Dover, across the Channel to Calais and on down through the Continent to Milan.

Feeder routes will link in both Northern Ireland and the Republic via Holyhead and Crewe; north-east England on a Doncaster-London route; and East Anglia via Felix stowe-London.

"A network of more than 30 major corridors and 75 routes will cope with import/export business requirements and the harmonious development of economic exchanges in the European domestic market," says the CER.

"All the 30 axis of development which have been chosen for the future combined transport network are situated on the main concentration flows of long-distance road transportation."

A key problem still to be resolved in that context is who will pay for the development of rail/road transhipment and other intermodal transport facilities. Currently, the UK approach to that problem centres on promotion of the concept of freight villages or European freight terminals, railheads which become the focus for distribution and manufacturing activity.

"Commercial agreements are being formed with private investors and local authorities who see partnerships with us bringing them financial, economic and environmental returns on their commitment. Up to 12 of these villages are being planned for the UK," explained Mr Ian Brown, the managing director of Railfreight Distribution.

The areas earmarked for those terminals, which will be able to accept European swapbody and container traffic, are Strathclyde, Teesside, West Yorkshire, Merseyside, Greater Manchester, East Midlands, West Midlands, South Midlands, South Wales, Avon and South-East England (Willesden and Temple Mills).

Elaborating on the thinking behind the planned terminals, Mr O'Donnell said they would provide a nucleus for warehousing and distribution, container storage and repair, and *railhead collection* and delivery services. They would be matched by some 20 similar locations on the European mainland.

Meanwhile, Railfreight Distribution is looking at the development of a new high-speed intermodal freight service between the English east coast port of Harwich and two UK markets, Scotland and North West England, catering for swapbody traffic moving to and from the Continent.

Latest thinking envisages having goods in Manchester and Liverpool within four and a half hours of leaving Harwich and in Glasgow within eight hours.

"We will be looking to sell the service to a middleman, such as a combined transport company or freight for warder on a wholesale rather than retail basis. The idea will be to sell part of the train on a round trip basis to the middleman through a contractural arrangement running for, say, a year," said a spokesman for Railfreight Distribution.

Explaining the thinking behind that approach, he said it was in line with the situation on the continent where responsibility for swapbody services lay with haulage comEpanies.that gave them total control over operations and also enabled them to get the best use of the equipment involved.

Proposed locations for Channel Tunnel freight terminals

Source: Railfreight Distribution

The haulier dimension

Eurotunnel aim:'Not just another ferry service'

ASK ANY international haulier how he looks on the Channel Tunnel and he will probably comment: "It'll be just another way to cross the Channel, alongside the ferries. Whether I use it or not, depends on their rates."

Considering the tunnel is still three years away from its scheduled opening date in June 1993, such a reaction is not surprising. *Hauliers tend* to be a traditional group and only change their operating patterns when they are sure there is some benefit to be gained. With the industry' slim profit-margins, this only represents careful management.

As Sydney Balgarnie of the Road Haulage Association, commented: "The degree to which hauliers will use the tunnel will depend on price and transit times. There is a lot of faith in the ferries and there are good relationships established. It's very convenient for the drivers to use the ferry trip for their rest breaks and the time-saving which using the tunnel might offer in the overall transit is not a significant factor."

He felt that if trucks were to travel by train they would tend to be put on the trains much earlier on, say, in Manchester or Newcastle, rather than use the shuttle trains.

Eurotunnel is well aware of the strong position of the ferry operators and of the significance of the price factor — "we will offer competitive rates" says John Chapman, Eurotunnel's *freight marketing* development manager. He would not be drawn on when the tariff would be issued other than to say they would be published "a short time before the opening." He was hopeful that there would not be a price-war between the ferries and the tunnel, saying, "price wars do not usually do anybody any good."

He is, however, encouraged by the keener response hauliers are showing — "haulage operators are sceptical at the best of times and often have the attitude that: we will believe it when we see it," Chapman states. "But they are *taking a lot more interest now* although as expected they are mostly interested in rates which is critical to them.

"They want to know about the services we are going to provide. We aim to be much more than just another ferry service and be more a part of the conveyor belt of moving goods from origin to destination."

He claims that one of Eurotunnel's biggest advantages is that, it was starting with a blank sheet, and so could ask about the hauliers' wants and needs. Eurotunnel is also in consultation with the Freight Transport Association, the Road Haulage Association and the unions, "to develop a tailor-made service" dedicated to them throughout the entire period that they are in the "system." They would be kept separate from the cars, have their own facilities and shuttles.A dedicated service was one point that he strongly *emphasised*

REPORT BY DAVID ROBINSON

As regards prices, Mr Chapman says he will be looking to "a simple tariff covering the whole of the day and not using peak pricing." Different rates will be set according to volume loads and empty truck movements.

Eurotunnel is planning to operate between two and four freight *shuttles an hour with a* running time of 75 minutes. Plans are that each shuttle will comprise 28 truck wagons, each with a single truck on it, three load wagons, an amenity car and two locomotives.

The truck wagons will be able to accommodate truck/trailer units of up to 44 tonnes. The running speed of the freight shuttles will be 130kph as against 180kph, originally planned, allowing for a simpler HGV wagon.

The actual design, he says, has yet to be finalised. They will probably be covered-in units with a roof and walls, and have plug-in contacts for reefer trucks. They are being wind-tunnel tested to ensure "the aerodynamics are right."

The drivers will travel in the *amenity coach* which will be of first class configuration and air-conditioned.

The latest Eurotunnel traffic *forecasts*, which were issued last November, show that the volume of freight expected to travel on the shuttle in 1993 is 9m tonnes. By 2003 it is anticipated this will have risen to 14.2m tonnes and 19.2m tonnes by 2013.

The main commodity carried via the tunnel, Mr Chapman predicts, will be fresh produce, as it may allow haulier's the opportunity of reducing the buffer time they naturally include to make sure that goods reach the market, store or distribution centre at the right time. He cited a cut from 5 down to 2 hours as an example.

On hazardous cargoes, he says: "We will be able to carry some, but we will inevitably have a restrictive policy on this." Talks are being held with FTA, RHA, the Chemical Industries Association and their French counterparts on devising a policy. The movement of livestock is also being *looked into*, and a *study* is being carried out with the National Farmers Union.

One other relatively new area he mentions is the express market: arrangements would be made either for operator's vehicles to cross in the shuttle or for express consignments to be carried in either direction, to be delivered and picked up *at the terminals. He adds that* initial surveys of this are encouraging.

As part of the comprehensive service for drivers there will be big truck stops on both sides of the Channel: the UK one being at Ashford. These will include accommodation, eating, communication and leisure facilities. Distribution and business parks are also to be developed on either side of the tunnel.

He points out that a comprehensive service will be offered, which is Eurotunnel's objective — "we are even consulting on what operators want on their invoices and how they want to be charged," he says. "The aim is not just to be another ferry service."

TRANSPORT LINKS 4

Cross-Channel ferry services

Clear of tunnel vision

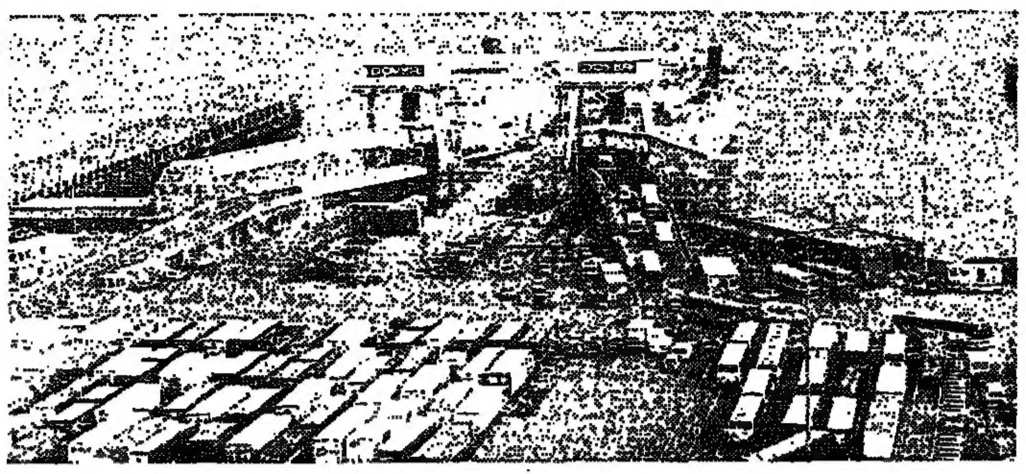
WHILE MUCH gloom and doom has been forecast for the short-sea cross-Channel ferry services, the fact is that life will go on after June 1993 or whenever the Channel Tunnel opens.

The cross-Channel freight and passenger traffic is growing at a steady 7-10 per cent a year which gave Dover a record year in 1989 when it handled over 15m passengers, 2m cars and over 1m freight vehicles.

Inevitably, the tunnel will bring about important changes but the two largest operators based in Dover – Sealink British Ferries and P&O European Ferries – have a future. It is one that they have known about, and are prepared to gear their operations to the anticipated new regime after 1993 – *anticipated*, because until the tunnel becomes operational, no one knows how things will turn out. Forecasting is a precarious business, as the M25 bears witness.

In preparing to do battle with the tunnel, the two companies have found a willing ally in the port of Dover which has invested well over £50m in recent years. This money has been spent on providing such facilities as high capacity double-deck berths, efficient handling systems for freight and developing a terminal layout in a relatively confined space which eases movement and provides sufficient capacity with room to grow.

How far the influence of the tunnel will extend to ferry operators outside the Dover and Folkestone area is unknown. However, all the companies involved, such as Sally Line, Olau Line and Brittany Ferries, as well as P&O and Sealink, have followed a common response strategy of investing in new, larger ships with far superior on-board passenger facilites, terminal improvements, where necessary, and placing a stronger emphasis on the quality of service given to passengers.



Pivotal point of change: a busy scene at Dover's Eastern Docks.

Dover is the pivotal point of all these changes. The port of Folkestone is to be redeveloped by Sea Containers and ferry services from the port end. Sea Containers retained this project having recently sold the Sealink division to Stena Line whose future plans were unannounced at the time of writing because the takeover still had to be finalised.

The new type of ferries are the cornerstone to the P&O/Sealink response to the Tunnel. P&O is already operating the 26,400 tonne, 2,300 passenger and 650-car Pride of Dover and Pride of Calais. Sealink is introducing the 25,000 tonners Fantasia (commenced service in March this year) and the Fiesta will follow soon after.

This latter pair will be able to carry 1,800 passengers, 723 cars or 107 trucks. Formerly Bulgarian-owned roll-on/roll-off freight ferries, these two ships have been converted in West Germany and introduced at a cost of some £50m.

All four of these "super" ferries will operate on the Dover-Calais route, being loaded and unloaded at either port using double-deck ramps for fast turnround and a sailing time of 75 minutes which will not be that much longer than the Tunnel. There would be a sailing in each direction every hour with a fifth ship participating on the route, probably the French flag Cote d'Azur which can carry 1,600 passengers and 300 cars.

Sealink and P&O had tried to organise a joint pooling arrangement integrating their services to Calais and Boulogne, but this was rejected by the Mergers and Monopolies Commission.

The impact on the other services out of Dover to Zeebrugge, Ostend and Dunkirk (train/car ferry), is more difficult to judge. Some rationalisation is likely as carryings will probably be hit.

As to the Hoverspeed hovercraft services, these have been retained by Sea Containers. The hovercraft are old and will not be replaced by new ones although high speed catamaran are a possiblity. Sea Containers is introducing such ships on the Isle of Wight routes and a Portsmouth/Cherbourg service is planned.

Away from Dover, the nearest competing services are Sally Line from Ramsgate and Olau from Sheerness. Sally Line has introduced larger tonnage in the form of the 9,120 tonne, Sally Star, which can carry 1,780 passengers and 450 cars while the Sally Sky is being extended in Immingham to boost its freight carrying capacity from 44 to 56 15-metre units. Sally is also introducing a sixth daily sailing on its Dunkirk route which will be dedicated to freight.

Olau Line, operating from Sheerness to Vlissingen has invested £120m in two 35,000 tonne, 1,600 passenger-capacity ships. The Olau Hollandia is already in service while 4 the Olau Britannia is due to start operating in May.

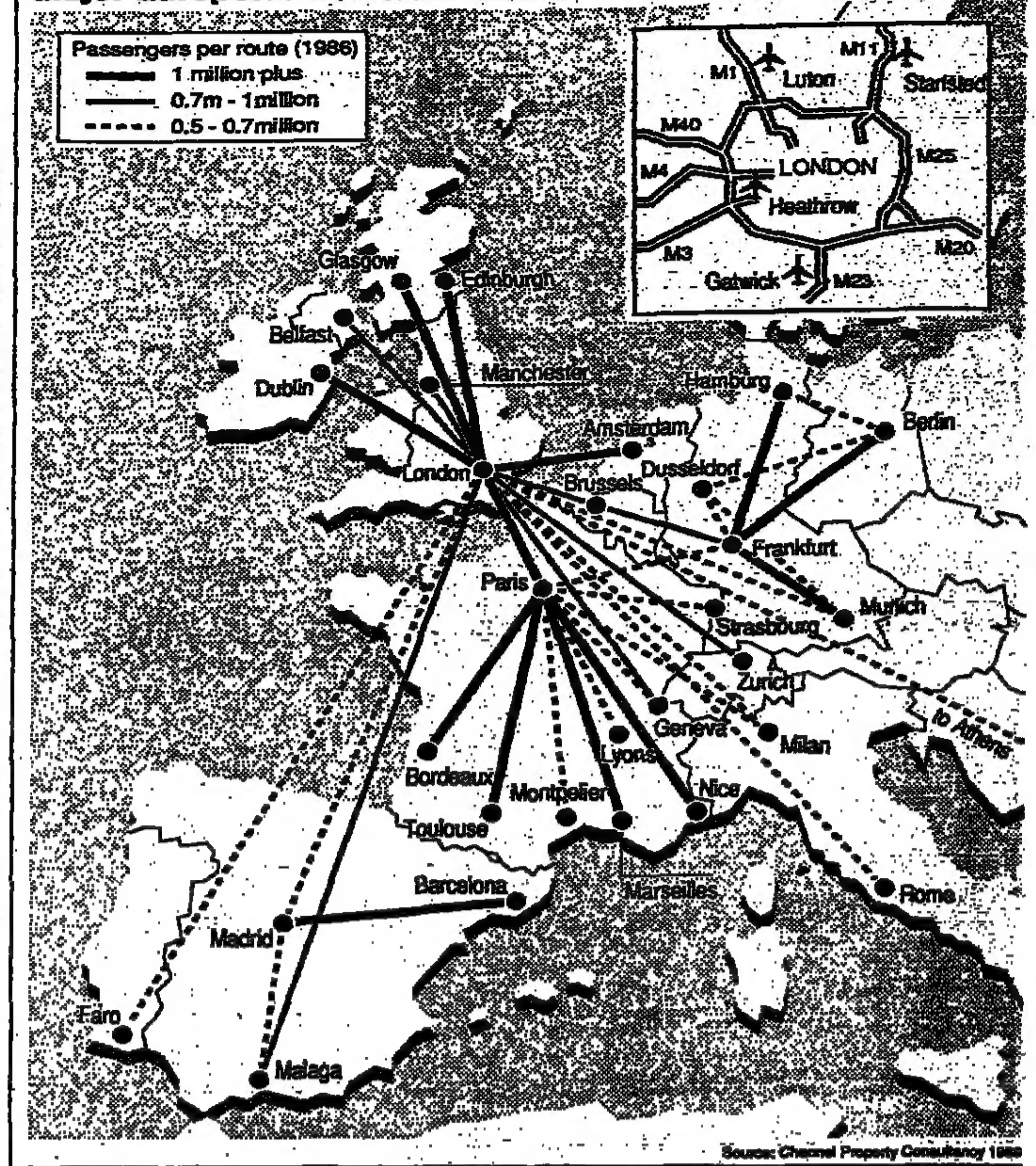
In the western Channel, Brittany Ferries foresees little real impact from the Tunnel. It has, however, enhanced its freight and passenger services with new ships.

All the indicators suggest that the potential growth in traffic will be sufficient for all the present established operators to continue, albeit with a smaller market share.

One of the biggest and as yet undecided questions is what will happen to duty-free sales. Without these, the ferry lines will lose a valuable source of revenue which they will have to mainly recoup from fares.

David Robinson

Major European air traffic routes



Source: Channel Property Consultancy 1989

There are few in the air traffic industry who seem worried about the construction of the Channel Tunnel – far more worrying for them is the predicted increase in the number of air passengers, coupled with the lack of runways, terminals and airspace to cater for the fast-rising number of air-travellers, says a recent report by the Channel Property Consultancy.

Impact of the tunnel

Regional pressures intensify

WITH OR WITHOUT the Channel Tunnel, passenger and freight traffic crossing the south-east and heading for Europe is set for a notable rise over the next decade.

Britain is doing an increasing amount of business with its European neighbours and current levels of activity will receive a further boost as the wider market of 1992 becomes reality. When the Channel Tunnel is opened – the target date is June 15, 1993 – the UK's European trade should increase yet again. But this trend – however welcome for the national economy – is producing great stresses and strains.

The frontline county of Kent finds itself becoming less the garden of England and more the gateway to the Continent.

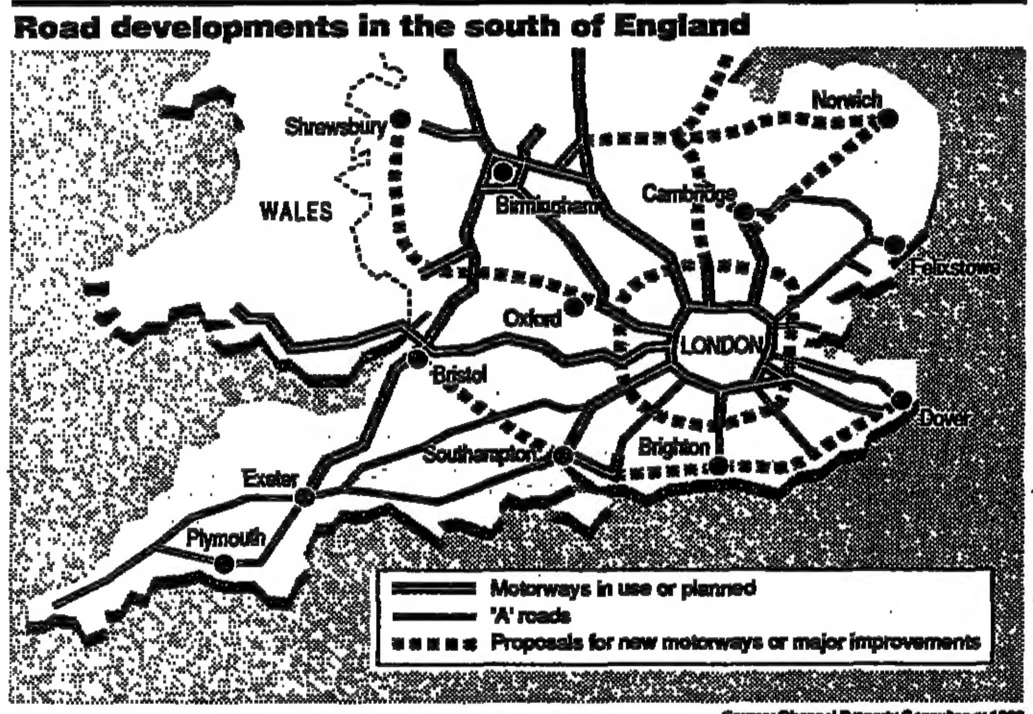
Pressure is growing from industry across the south-east for more and better road and rail-links and for local authorities to release extra land for development by firms wanting to be close to their European customers.

Understandably, many local people in the region fear an uncontrolled development boom, as the government and councils try to meet those needs.

But industry is worried that if transport and development policies for the south-east are inadequate, then the barrier between Britain and its European market will in future be Kent and the south-east counties rather than the Channel. Business will be lost and Britain's trading' greatly weakened.

Is Kent and the south-east have to be sacrificed to the greater good of Britain as a whole?

Road developments in the south of England



Source: Channel Property Consultancy 1989

Many road developments and extensions are planned in south-east England and in northern France to cope with the increased traffic volume from 1993. In England, these include work on the M20, A20, A229 and M25. The "frontline county" of Kent is planning to become the gateway to the Continent and will spend £150m on improving local roads. The French Government is spending an estimated £500m on road developments in the Nord-Pas de Calais region.

According to Alastair Morton, the chief executive of Eurotunnel, the firm responsible for building and operating the Channel Tunnel, the only long-term solution is to develop fast and effective transport links between the south coast and the rest of the country.

Kent's needs are the same as Britain's, he argued:an efficient road and rail transport corridor to move the growing number of passengers and freight volume across the county, without destroying the inhabitant's prosperity and quality of life.

But Mr Morton saw little sign of the Government recognising the scale of the problem. He gave full vent to his frustrations when he spoke recently at London's Imperial College, the gap in Britain's railway saying that the network between the Thames and the Kent Coast is "filled by a lightweight, unmodernised, 19th century system. It lies like a swamp, interrupting the highway between business Britain and its marketplace."

The French, meanwhile, are building a new high-speed railway line linking Paris, Lille, the Channel Tunnel and Belgium by mid-1993. Their programme also includes three new motorways.

But in Britain, Mr Morton added, "we hope that the widening of the Maidstone by-pass will be finished in time in 1993."

So what is the answer? "Like building the Channel Tunnel, it comes back to money," he says."But unlike the Channel Tunnel, the transportation thrombosis in the south-east is highly unlikely to be cured by private sector risk capital alone. Full stop, end-of-message!"

Many of Mr Morton's arguments would receive the whole-hearted backing of local authorities in the region. Contrary to popular belief, Kent County Council showed little of the "not-in-my-back-yard" resistance which often colours transport and planning debates.

When the Channel Tunnel was first proposed, the council adopted a neutral attitude but insisted on having agreed levels of environmental standards for any project given the go-ahead.

Today, the county accepts that it has a key role to play in helping the British economy develop its trade with Europe and it is committed to winning the maximum benefit for local people at a minimum cost. Mr Morton stressed that the main question was of how traffic would cross the county quickly and efficiently.

Kent's County Planning Officer, Brian Briscoe, was more positive than the Eurotunnel chief executive, and said that there were three important road schemes: the building of a dual carriageway all along the M2 to Dover; the present construction of the missing link in the M20; and the extension of the M20/A20 from Folkestone to Dover. If completed, these would be sufficient for the moment, as a road corridor from the Channel Tunnel to London's outskirts.

The rail services were more canse for concern. "The key is to get a decent rail service. The more heavy lorries that can be taken on the railways the better."

But the doubts and delays surrounding the high speed rail link between London and the Channel Tunnel have made the development of any sort of long term strategy very difficult.

"Neither the Government nor British Rail have shown a great deal of skill in bringing forward investment in rail lines while the French are doing it, we have been talking about it," Mr Briscoe added.

Mike Cottell, Kent's county surveyor, was even more critical. Recent research showed that traffic in Kent will grow by 121–294% by the year 2025 – well above the national road traffic forecast levels.

At a lecture given recently in London, he said that the Government's spending plans fell woefully short of necessary levels: "It is a level of investment which does not match the need, provides little for roads other than trunk-roads and does not match the ambitious plans of France and Germany. The development of roads and rail in Kent linking to the national motorway and railway systems is crucial to

Continued on page 6

High speed rail links

France leads the way

AS BRITAIN dallies over building a new rail link from London to the Channel Tunnel, the rest of Europe is forging ahead with development of high speed lines. In the vanguard are the French, whose 270km per hour (169mph) Paris-Lyon TGV (*Train à Grande Vitesse*) line has been operative for eight years and has set a standard for others to follow.

An inventory of high speed lines under construction on the Continent shows an intense level of activity. The following projects are well advanced:

☐ France: the 300km per hour (186mph) Atlantic TGV line from Paris to Le Mans opened in 1989, and a branch to Tours is to open this year. The North TGV line from Paris to the Channel Tunnel is under construction and is scheduled to open with the tunnel in 1993; an extension has been projected through the Low Countries and should reach Cologne in 1998.

☐ West Germany: two north-south new lines, a 190-mile Hanover-Wurzburg link and a 60-mile stretch between Mannheim and Stuttgart, are already partly in use and will be finished next year. Work has started on a Cologne-Frankfurt route which is due to be finished in 1995.

☐ Italy: Finishing touches are being put on the Rome-Florence *direttissima*, and work has started on extensions to Naples in the south and Milan in the north. An east-west Turin-Milan-Venice route will make a "T"-shaped high-speed system.

☐ Spain: Construction of a Madrid-Seville TGV route is now in hand, with completion scheduled to coincide with Expo 92 in Seville in two years' time.

Other countries are upgrading existing lines for higher speeds, and last year the Community of European Railways (a body comprising the railway authorities of the EC countries and those of Switzerland and Austria) published a report with proposals for "stitching together" lines in different countries to make a continent-wide high-speed network which would be the envy of the world.

Since so much is already being done on a national basis, realisation of this dream does not seem impossible. The EC has made suggestions concerning technical harmonisation of national rail networks, and has also proposed a transport infrastructure fund which could be used for financing new high speed lines.

With a view to the large single market in 1993, the EC is working on a legal framework to allow authorised undertakings to run their own trains on national railway systems. While those undertakings would be first and foremost the existing railway companies, which might mean some competition from across borders, there could also be a role for private sector operators.This idea would seem to fit well with the ideological tilt of the UK Government, but the same cannot be said of the infrastructure fund, which implies more public spending and a dirigiste approach to planning which might leave little room for private sector initiatives.

The EC's Transport Commissioner, Karel van Miert, justifies such a fund by arguing that there are some projects which have high local costs but widespread benefits to the Community, with the construction of missing links in the emerging high speed rail network a case in point.

Adding irony to the lack of enthusiasm on the part of the UK is the fact that the example cited by Mr van Miert as the prime candidate for financial help from the infrastructure fund is the rail link from the Channel Tunnel to London. Here, environmental concerns in Kent have pushed up the costs of building the line, while plugging London into the nascent pan-Europe high speed network would give Community-wide benefits.

There is now talk of the rest of Europe going ahead with the fund and excluding those countries which decide not to co-operate, in which case the line through Kent would be unlikely to benefit.

A contrast to the British approach is that of the French, who have been careful to ensure that Paris is at the hub of the emerging high-speed map. While there will be a certain amount of redrawing of that map to take account of the changes in eastern Eusope with new east-west links, the French now have a well-established lead.

TGV routes are being crafted to serve both Charles de Gaulle and Roissy airports in Paris, with the aim of drawing intercontinental air passengers from a wide hinterland by train and abstracting from airports in neighbouring countries – a development which could hit hard at London's Heathrow and Gatwick airports, which have become established as hubs for intercontinental flights for passengers from all over Europe.

Another area in which the French look set to score, is in the provision of hardware for the new high speed railway lines. While the Germans and Italians have their own competing technologies, the Spanish have chosen the French TGV concept for the new line to Seville. New trains for London-Paris/Brussels services through the Channel Tunnel are being built by a consortium of French, British and Belgian firms.

The emerging market for high speed trains is potentially massive. The French have cultivated an image as world leaders in this sector, staging a high speed run last year to wrest back the world speed record from the Germans, who had held it at almost 407 km per hour in 1988. The new record set last December near Vendôme was 482 kph.

James Abbott

East Europe focus for Eurofreight

NEW TRANSPORT and distribution opportunities in eastern Europe – as well as the potential for increased business in the Single European Market – are among the main themes of Eurofreight, the international exhibition and conference which opens in Brussels on Monday, April 9th.

Mr Karel Van Miert, the European Transport Commissioner, will bring a keynote address for this three-day international event for the freight, trade, transport and distribution industry. More than 150 exhibitors from 25 countries will be featured at the Brussels Exhibition Centre.

The conference will examine transport developments by land, air and sea. Speakers will include United Nations Economic Councillor, Mr Guillo Dente, who will focus on the future of land transport between east and west Europe.

The Russian Shipping Minister, Mr Vadim Kornilov, will speak on the future co-operation between the USSR and the West in shipping. Other speakers include Jean-Luc Dehaene, the Belgian Transport Minister; and John Dean, chairman of the European Shippers' Council. More details are available in the UK from World Trade Promotions, telephone 01.642.7688.

Scotland and the north of England want better connections, says **Brian Green**

It all comes down to money

LONDON and the south-east of England has long been viewed with suspicion and irritation by many who live in the north of England and Scotland; those "up North" do much of the work while those "down South" reap most of the benefits, some claim. Now, however, the north and Scotland have another gripe – that the congested south-east stands physically in the way of the increasingly important markets on the continent.

With the advent of the Channel Tunnel, there is growing concern that too little is being done to provide free access for those north of London to the benefits the tunnel is predicated to bring.

In the words of Alastair Morton, chief executive of Eurotunnel: "The gap between the Thames and the Kent coast lies like a swamp, interrupting the highway between the majority of 'business' or 'employment' Britain and its marketplace.

"The transportation system in the south-east – road, rail and air – is the thrombosis that threatens our economic prosperity and our society's quality of life. It does so because of its present and predictable and imminent lack of capacity and efficiency in linking Britain at large, and Scotland beyond all, with continental, greater Europe," he said in a lecture, last month.

His argument is that the south-east needs to let business and leisure transport flow through it, instead of just to "the old imperial capital London – to which all roads and railway lines were built, 150 years ago."

Infrastructure

His complaint is that insufficient time and money is being spent on improving the infrastructure and its provision is being hampered by the "intellectually-dubious" Treasury financing criteria.

It all comes down to money. And he believes that he answer lies in co-financing – private and public purse, national and international money working together. His analysis and subsequent solution may not be shared wholeheartedly by all north of London, but the wish to see more and better roads and railways bypassing the capital is great.

The Association of Metropolitan Authorities, a Labour-controlled body which represents the views of councils in many northern cities, fears that precious time has been wasted and many of the benefits the tunnel should bring have been lost. The key, according to David Sparks' Chairman of AMA's planning and economic development committee, is inward investment.

Major companies now making strategic investments in Europe ahead of the single European market will pay close attention to the accessibility of prospective locations to its markets. Transportation links are a crucial factor.

"By the time the north has a fast rail link to the tunnel, most of the major business decisions on inward investment and location of industry in the UK will have been made," he says. And he believes that without good transport links joining the north of England to the Channel Tunnel, there will be an exodus of industry to the south – being France, Belgium and other parts of the continent.

The answer, in his opinion, is to "plug" the north into the Channel Tunnel through rail links and follow the lead of the French and Germans, with major investment in the railways - "if I were Cecil Parkinson, I would take this opportunity to totally update the rail system of the UK to link in with the continental rail network," he says.

Scotland, on the very edge of Europe, would appear to have most to fear from a concentration of economic activity at the centre of Europe. But research undertaken for the Scottish Development Agency on the impact of the tunnel suggests that the main threat to Scotland will be to their markets in the south-east of England. To counter this, the Scots want to see better roads and railways linking Scotland and England. Top of the SDA is £300m upgrading of the A74 to motorways standard and an upgrading of the Glasgow to London rail route.

But he does not think that major infrastructure improvements are needed to the railways beyond that already planned by British Rail. Most important is to improve the service.

Proposals

One of the most comprehensive packages of transport proposals for linking British business into continental Europe has been together by the Confederation of British Industry.

In its report, "Trade route to the future," it tackles the question of what needs to be done to get the most for British business out of the Channel Tunnel. It puts forward a £20,700m package of transport projects which the CBI argues needs to be in place by the year 2000 if Britain is to harvest the full fruits of the single European market. Many of these projects are aimed directly at improving the access from the Channel tunnel to the north and Scotland.

The emphasis of the CBI proposals is heavily on road – "from the CBI standpoint, the priority must be to expand the motorway network so that goods can be transported rapidly by road to the Channel Tunnel and east coast ports from the West Midlands, North and Scotland," it says.

To meet these needs, the CBI put forward proposals for road schemes, costing, perhaps, £11,250m. They include: a £1,000m east coast motorway from the M11 to the A1 south of Middlesbrough; upgrading the A1 to dual three-lane standard from London to Edinburgh at a cost of £1,250m; a new £1,200m motorway from the Midlands to the North West parallel to the M6; and upgrading the A75 Carlisle to Glasgow road at a cost of £500m

Although the flexibility of road transport is seen by business as preferable to the railways in most instances, the CBI sees potential for renaissance in the railways sparked by the opening of the Channel Tunnel. The report calls for £6,900m to be spent on railways by the year 2000.

Ferry links with Ireland

Exporters seek more services

THE ROMANS did not colonise Ireland – one factor might have been the ferocious reputation of its people. But another more important reason for Roman reticence was Ireland's position, out in the sea, well away from the European mainland.

When the channel tunnel is completed, Ireland will be the only EC country without direct links with the continent. Improving transport links, both direct and via the channel tunnel, are vital if Ireland is to compete in post 1992 Europe.

There is little evidence so far that the issue is being addressed in a co-ordinated way. Irish exports have been growing healthily over the past three years, producing substantial trade surpluses.

Exports were worth I£10bn in 1987, more than I£12bn in 1988 and topped I£14bn last year. Though the recent fall in sterling against the punt (the Irish pound), is likely to have an adverse effect on Irish exports – the UK still accounts for more than 30 per cent of total exports – Ireland's strong trading performance seems set to continue.

In January, exports rose nearly 10 per cent in value terms to I£1.13bn, with continental Europe once again the main growth area.

These cheering statistics hide some serious problems. Many exporters say there is often a chronic lack of space on ferries both to the UK and direct to the continent. Meanwhile, freight services in and out of Ireland remain, mile for mile, some of the most expensive in the world.

Mr John Kenna of the Confederation of Irish Industry, says transport costs account for about 4 per cent or less of the export value of goods from most EC countries. In Ireland, the figure is nearly twice that amount.

"Ireland's economy is export led. We export between 60-70 per cent of our industrial output. Our road system is about 20 years behind some parts of Europe. We have to bring a whole range of transport, customs and port costs down," says Mr Kenna.

There are daily ferry services to the British mainland from Dublin, Rosslare and Waterford, the Irish Republic's main ports. In winter, direct services to ports in France – Cherbourg and Le Havre – are limited to three a week. Exporters say there must be more services, particularly of freight only ferries.

Many companies in the Irish Republic find it cheaper and also more reliable to send goods via the port of Larne in Northern Ireland.

From there, roll-on/roll-off ferries operate more than 150 sailings a week to Stranraer in Scotland. There are only about 80 sailings a week out of the Irish Republic's main ports.

Mr Seamus Brennan, Ireland's Minister for Tourism and Transport, says various improvements are being considered including a shuttle ferry service between Dublin and Holyhead in North Wales.

Mr Brennan says that Ireland has also had a favourable response from Britain for updating road and rail connections from ports like Holyhead.

Report by **KEIRAN COOKE**

Ireland is set to spend a large proportion of I£3bn it is receiving in EC structural funds in updating its internal road network and its ports. But many exporters are impatient. They say Ireland must take immediate steps to improve ferry services.

There must not only be more services; there must also be new ferries and big improvements in ports handling and administration. Exporters say pressure must be brought on Britain, through the EC if necessary, to improve onward connections from ports like Holyhead which play such an important part in Ireland's trade.

Many Irish exporters look with envy at the money being spent not only on the Channel Tunnel but also on cross-channel ferry services.

Mr Ted Shanahan runs one of the Irish Republic's largest trucking operations – "we have to have proper freight ferries and more frequency," he says. "Facilities and connections out of Holyhead have to updated, else we in Ireland will be left behind in the race for Europe."

Regional pressures

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the economic well-being of the rest of the country."

He added that progress was being hindered because of Britain's piecemeal approach to its transport and development policies – "the time has come for us to look at all the elements of our transport systems – road, rail, sea and air – in a comprehensive way."

He stressed the need for clear thinking on the relationship between environmental and economic prosperity, the wishes of the community, and the transport system which should be built to solve these problems. Mr Cottell's arguments are backed by several environmental groups.

In the south-east, the Channel Tunnel project is "exacerbating an already difficult problem," says Tony Burton, senior planner with the Council for the Protection of Rural England, one of the country's leading conservation lobby groups. He argues that the development in the south-east which is allowed to go ahead, should be focussed on derelict or poor quality land.

In addition, a regional policy is needed to shift attention focus to the eastern end of the region where there is more Scope for development.

Mr Burton calls for restraint in the south-east, and the encouragement of the removal of development from the region.

Echoing Mr Cottell, he says that the real need, as the government's recently publicised road programme showed, was for a more integrated planning and transport policy.

New transport links can open up previously unattractive areas to developers, but can stimulate unwanted developments in green belt and countryside areas, already under commercial pressure.

But to believe that all people in the south-east want the developers to go elsewhere would be far from the truth. That may bethe case in much of Hampshire and Berkshire, but in large areas of Kent, for example, this is not so.

One town in the thick of the debate is Ashford. Originally chosen by British Rail as the site for a new international passenger station, many local people have embraced the prospect of the Channel Tunnel. Ashford Borough Council sees the town as a focal area for economic growth in the south of England, and east Kent especially.

Borough planning officer, Mr Anthony Slack is however, frustrated by the uncertainties. Indecision over the high-speed rail-link has meant that plans for the international passenger station – and 140 acres of surrounding land – have been delayed – "we are continuing to press for the station to be open by 1993 at the same time as the Channel Tunnel," Mr Slack says.

It is hoped that the international station will bring investment into Ashford from office, industrial, retail and conference developments and help stimulate the economy of east Kent which has been hit by dockyard and coal mine closures.

Developers have shown substantial interest in the town. Although the British Rail development is on hold, a new science park is being built on land owned by Trinity College, Cambridge. Work is also due to start soon on a 100-acre office, warehouse and factory project by a joint venture of Eurotunnel, the borough council and Mountleigh.

Other large housing and commercial projects have been rejected by the Department of the Environment until the council has had the chance to prepare the latest version of its local plan. Mr Slack is now drafting this and it will go to councillors for approval this summer.

But are not people, even in Ashford, frightened by the pace of change?

Kent's Brian Briscoe concedes that there is a strong anti-development lobby in the area and he adds that local people will dig in their heels if the pace of change is too fast.

But he adds: "The anti-development lobby forgets that people want houses to live in. The council has to manage the inevitable conflict between people who need places to live in and those who do not want new homes built near them."

The central issue, it seems, is not the pressure for new developments in the region – the growth in trade with Europe means this would have happened with or without the Channel Tunnel – but how to control and direct that pressure to the benefit of the south-east and Britain as a whole.

If a company in the north cannot transport its goods efficiently to its markets in Europe – and cannot find a suitable location in the south of England either – it may find the simplest solution is to move to northern France. And who would benefit then?

Graham Anderson